

# FRANCHISE DISCLOSURE DOCUMENT

For Prospective Franchisees

## **MR. TRANSMISSION<sup>®</sup>** **MULTISTATE TRANSMISSIONS<sup>®</sup>**

Moran Industries, Inc. d/b/a Moran Family of Brands<sup>®</sup>  
4444 West 147th Street  
Midlothian, Illinois 60445  
(800) 377-9247  
[www.moranfamilyofbrands.com](http://www.moranfamilyofbrands.com)

Disclosure Document No. \_\_\_\_\_

## FRANCHISE DISCLOSURE DOCUMENT



Moran Industries, Inc.  
d/b/a Moran Family of Brands®  
An Illinois Corporation  
4444 West 147th Street  
Midlothian, Illinois 60445  
(800) 377-9247  
[www.moranfamilyofbrands.com](http://www.moranfamilyofbrands.com)

We offer 2 types of franchises: A franchise is offered for the establishment and operation of a business specializing in the repair, service, and installation of automobile transmissions and related components operated under the service marks “Mr. Transmission®” or “Multistate Transmissions®,” and a franchise is offered for the establishment of a Mr. Transmission or Multistate Transmissions business that also offers automotive tune-up and brake services under the service mark “Milex®” and the trade name “Milex® Complete Auto Care.” Franchises can be established in 2 ways: as a start-up business or by conversion of an existing independent transmission service center to a franchised business.

The total investment necessary to begin operation of a Mr. Transmission or Multistate Transmissions franchise ranges from \$173,315 to \$246,185. This includes \$42,500 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a Mr. Transmission or Multistate Transmissions / Milex Complete Auto Care Co-Branded franchise ranges from \$193,266 to \$277,279. This includes \$47,800 that must be paid to the franchisor or affiliate. The total investment necessary to become an area developer ranges from \$42,000 to \$202,000. This includes \$10,000 for each franchised business to be developed that must be paid to the franchisor or affiliate.

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

You may have elected to receive an electronic version of this disclosure document. If so, you may want to download the disclosure document for future reference. You may wish to receive the disclosure document in another format that is more convenient for you. To discuss other disclosure formats, please contact Ben Reist at Moran Family of Brands, 4444 West 147th Street, Midlothian, Illinois 60445, (800) 377-9247.

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 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 ("FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your local 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. State agencies are listed in Exhibit A.

Issuance Date: March 20, 2014

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN ILLINOIS. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN ILLINOIS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF THE STATE OF ILLINOIS GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

The effective date of this disclosure document for your state appears on the page following the disclosures relating to transactions governed by the Michigan Franchise Investment Law.

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

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

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attention: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number (517)373-7117

## **STATE EFFECTIVE DATES**

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

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws with the following effective dates:

California effective date: March 28, 2014

Illinois effective date: April 21, 2014

Indiana effective date: April 25, 2014

Michigan effective date: March 31, 2014

Minnesota effective date: April 22, 2014

Virginia effective date: April 9, 2014

Washington effective date: May 14, 2014

In all other states that do not require registration, the effective date of this disclosure document is the issuance date of March 20, 2014.

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**FRANCHISE DISCLOSURE DOCUMENT FOR PROSPECTIVE FRANCHISEES  
MORAN INDUSTRIES, INC. D/B/A MORAN FAMILY OF BRANDS**

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

To simplify the language in this franchise disclosure document, “Moran Family of Brands,” “Moran,” “us”, “we” and “our” refer to Moran Industries, Inc., the franchisor. “You” or “your” refer to the person to whom we grant the right to operate a Mr. Transmission, Multistate Transmissions, or a Mr. Transmission or Multistate Transmissions / Milex Co-Branded franchise. If you are a corporation, partnership, limited liability company or other business entity, your owners and owners’ spouses will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (Exhibit E) and other agreements described in this disclosure document.

**The Franchisor, Its Predecessors and Affiliates:**

Moran is an Illinois corporation incorporated on July 27, 1990. We maintain our principal business address at 4444 West 147th Street, Midlothian, Illinois 60445. We do business under the names “Moran Industries, Inc.” and “Moran Family of Brands.” We offer franchises for retail transmission service and repair under the service marks “Mr. Transmission” and “Multistate Transmissions.”

We acquired certain intellectual property rights associated with Milex Tune-Up and Brakes in November 1997, along with 14 franchised “Milex Tune Up and Brakes” centers. We continue to offer franchises for retail automotive repair businesses under the trade name “Milex Complete Auto Care” as co-branded franchises under this offering, and as single brand franchises under a separate offering.

As of July 1, 2007, we merged with Alta Mere Industries, Inc. (“Alta Mere”). From 1996 to 2007, we served in a management capacity with Alta Mere. Alta Mere was an Illinois corporation incorporated on June 27, 1996, with a principal business address of 4444 West 147th Street, Midlothian, Illinois 60445. Alta Mere offered franchises for automotive tint and accessory businesses operated under the service mark “Alta Mere®” throughout the United States from 1996 to 2007. Alta Mere never offered franchises in any other line of business. Since 2007, we have continued to offer automotive tint and accessory franchises under the service mark “Alta Mere.” We offer these franchises under a separate offering.

Transmission City, Inc. d/b/a U.S. Trans Parts® (“Transmission City”) is an Illinois corporation incorporated in 1979 and formerly operated under the trade names “Drive Train Auto Parts” and “Transmission America.” After the acquisition of assets from Automotive Franchise Corporation, its trade name was changed to “U.S. Trans Parts.” Transmission City’s principal place of business is 4444 West 147th Street, Midlothian, Illinois 60445. Transmission City supplies our franchisees with initial equipment, signs, furniture, fixtures, inventory, office supplies, shop supplies, and small tools. Transmission City is also an automotive parts supplier for independent dealers on an international basis.

Mor Property Development, LLC ("Mor Property Development") is a commercial property development and leasing company that was originally established as an Illinois general partnership in 1994. In 2004 the general partners reconstituted their business into an Illinois limited liability company. Mor Property Development's principal place of business is 4444 West 147<sup>th</sup> Street, Midlothian, Illinois 60445 and it leases commercial property to certain of our franchisees and other commercial tenants.

We have no predecessors or affiliates other than disclosed above.

Our agents for service of process are listed in Exhibit B of this franchise disclosure document.

#### The Business of the Franchisor:

Under this disclosure document, we grant franchises to qualified candidates for the operation of Mr. Transmission and Multistate Transmissions service centers ("Centers") offering retail repair and servicing of automotive transmissions to the general public. Also under this disclosure document we grant franchises for the operation of a co-branded service center ("Co-Brand Centers") offering retail repair and servicing of automotive transmissions, plus tune-up and brake services under the trade names "Mr. Transmission" or "Multistate Transmissions" and "Milex Complete Auto Care." We also supply franchisees with our proprietary TPM PRO<sup>®</sup> software.

Under separate disclosure documents, we grant franchises for the operation of: (1) retail transmission service centers under the registered trademark "Dr. Nick's Transmissions<sup>®</sup>"; (2) tune-up and brakes service centers (on a standalone basis) under the trade name "Milex Complete Auto Care"; (3) automotive window tinting, audio, security and electronic accessories' stores under the trade name "Alta Mere<sup>®</sup> Automotive Outfitters"; and (4) window tinting and treatment service businesses under the trade name "SmartView<sup>®</sup>."

#### The Mr. Transmission/Multistate Transmissions Franchise:

You will establish and operate a Center specializing in the repair and installation of motor vehicle transmission systems and related components and other repair services. You will be licensed to use our registered service marks "Mr. Transmission" or "Multistate Transmissions" and logo, as well as related trademarks, service marks, logos, and slogans (the "Proprietary Marks") and the proprietary operating system (the "System") we developed for the operation of a Center. You also will be licensed to utilize our confidential operating manual (the "Manual") which sets forth the standards and specifications for the management and operation of a Center.

#### Area Developer Rights:

We offer franchises for area developer businesses in which the area developer acts as a sales representative within a development territory that we define in the Area Developer Agreement (Exhibit O). As an area developer, you will solicit and identify prospective franchisees within the territory, and provide additional pre-opening and ongoing support services to Centers within the territory.

If your Center is within an area developer's territory, you may receive some of the services we promise you in the Franchise Agreement from the area developer. If the area developer does

not perform properly, we are still contractually responsible to you and must ensure as the franchisor that you receive the services we promise you.

#### The Co-Branded Franchised Center:

If you are a qualified candidate and you sign the Co-Branding Franchise Addendum (Exhibit H), you will establish a “Mr. Transmission” or “Multistate Transmissions” / “Milex Complete Auto Care” Center (a “Co-Brand Center” or “Co-Branded Center”). A Co-Branded Center is a business specializing in retail repair and servicing of automobile transmissions, automobile engine tune-ups, brake repair and installation, air conditioning services and other repair services offered to the general public. You will be licensed to use our “Mr. Transmission” or “Multistate Transmissions” registered trademark and logo, our “Milex®” registered trademark and logo and our “Milex Complete Auto Care” trade name, as well as related trademarks, service marks, trade names, logos and slogans and the proprietary operating system we developed for the operation of a Co-Brand Center. You will also be licensed to use our confidential operating manual and other materials that set forth the standards and specifications for the management and operation of a Co-Brand Center.

#### Co-Branded Area Developer Rights:

Those qualified candidates who sign our Co-Branding Area Developer Addendum (Exhibit P) will be granted a co-branded development territory within which to advertise to, recruit and screen prospective franchisees, and to train and supply support and guidance to franchisees operating Co-Brand Centers. You will operate as an independent business utilizing our trademarks, business system, support, guidance and other materials we supply. You will develop, operate and support your co-branded development territory as described in the Co-Branding Area Developer Addendum.

#### Conversion Franchise:

You will convert an existing independent transmission service center that you currently operate to a Mr. Transmission or Multistate Transmissions Center or a Mr. Transmission or Multistate Transmissions / Milex Complete Auto Care Co-Brand Center.

#### Market Competition:

Your competition includes various national, regional and local automobile repair businesses, including the service departments of national and regional department stores, specialty repair shops, service stations, motor vehicle dealerships and independent vehicle repair centers. Your competition may also include transmission service centers and tune-up and brakes service centers franchised by us under the Proprietary Marks or one of our other trademarks.

There are a number of state and local automotive repair statutes as well as consumer oriented legislation to which your operation of a Center or Co-Brand Center may be subject. You must investigate the laws and regulations, determine which laws and regulations apply to the operation of the Center or Co-Brand Center and comply with all applicable laws. You should review these matters with your local attorney. In addition, disposal of used transmission fluid and used motor oil is subject to a variety of state and federal regulations including the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response and Clean-up Liability Act (CERCLA). You should familiarize yourself with these requirements.

### Prior Business Experience:

We or our predecessors have operated Centers since 1962 under the trade name “Mr. Transmission” or other trade names, and have franchised these Centers since 1970. We intend to continue to offer franchises for Centers under the “Mr. Transmission” and “Multistate Transmissions” trade names, as well as under our other trade names, including “Dr. Nick’s Transmissions.” We have offered “Multistate Transmissions” franchises since September 1991. Prior to our merger with Multistate Transmissions, Inc. (“Multistate”), “Multistate Transmissions” franchises were offered by Multistate since 1971. We have offered “Dr. Nick’s Transmissions” franchises since April 1993. Prior to our acquisition of the “Dr. Nick’s Transmissions” franchise system, “Dr. Nick’s Transmissions” franchises were offered by Nick’s Systems, Inc. since 1978. We acquired Atlas Transmission of Southeast Texas, Inc. (“Atlas”) in 1993 and offered “Atlas Transmission” franchises from October 1993 until 2001. Prior to our acquisition of the “Atlas Transmission” franchise system, Atlas had offered “Atlas Transmission” franchises since 1988. Alta Mere offered “Alta Mere Window Tinting & Auto Alarm” franchises specializing in providing window tinting, security and electronic convenience items, audio systems, and other accessories for vehicles on a retail and wholesale level from its inception in June 1996 to June 2007.

We have offered “Milex Complete Auto Care” franchises providing general automotive repair and maintenance on a retail and wholesale level, since our acquisition of the “Milex Tune Up & Brakes” franchise system in November 1997.

Our affiliate, Mor Property Development does not operate and has never operated Centers, and does not offer franchises in any line of business. Our affiliate, Transmission City operated a Mr. Transmission Service Center from December 2011 to May 2013 when Transmission City sold the service center to a new franchisee. Transmission City no longer operates a business which is similar in nature to any of the franchises we offer. Transmission City does not offer franchises in any line of business.

## **ITEM 2 BUSINESS EXPERIENCE**

Co-Founder, Chairwoman, CEO and President: Barbara Moran-Goodrich

Barbara Moran-Goodrich is one of Moran’s co-founders and she has served as a member of Moran’s Board of Directors since its inception in 1990. Ms. Moran-Goodrich has served as Chief Executive Officer and President of Moran since 1999. In 2010, Ms. Moran-Goodrich was appointed as Chairwoman of Moran’s Board of Directors. Barbara Moran-Goodrich has also served as Chief Executive Officer and President of Transmission City since 1999. Barbara Moran-Goodrich began working for Transmission City in 1985 and has served in many capacities including finance, marketing, customer relations, production and operations. Ms. Moran-Goodrich is also a co-founder of Mor Property Development and a general partner since its inception in 1994. She currently serves as Managing Member of Mor Property Development. She has served in that capacity since 2004.

Director, COO: Ron Frydrychowski

Ron Frydrychowski began working for Moran in 1992 as a Transmission Rebuilder/Assistant Technical Director and became our Technical Director in 1995. In 2007, Mr. Frydrychowski

became the Chief Operations Officer of Moran and continues to oversee our Technical Department. In 2009, Mr. Frydrychowski was appointed as a Director to Moran's Board of Directors. Mr. Frydrychowski is also one of our franchisees. He has co-owned B & R Transmission, Inc. d/b/a Multistate Transmissions in Oak Forest, Illinois since 2001.

Director, Vice President of Corporate Services: Jack E. Yost, Jr.

Jack E. Yost, Jr. has been employed in the Mr. Transmission franchise system in various capacities, including Center Manager, since 1974, and served as its Vice President of Franchise Development for the Southeastern United States from 1994 to 1999. In 1999, Mr. Yost became our Vice President of Corporate Services. In 2008, oversight of the Fleet Development Department was added to Mr. Yost's responsibilities. In 2009, Mr. Yost was appointed as a member of the Board of Directors.

Director: Elizabeth Di Stefano

Elizabeth Di Stefano is a Director on our Board of Directors. She has served in that capacity since 2000. Ms. Di Stefano also currently serves as a Manager of Mor Property Development and Dimor Properties, LLC. She has served as a Manager of Mor Property Development and Dimor Properties, LLC since 2000. Dimor Properties is a property development and leasing company based in Michigan City, Indiana.

General Counsel: Jill K. Klein

In 2011, Jill Klein joined Moran as General Counsel. Prior to that, from 2003 to 2007 and again in 2010 she held the position of General Counsel for Francorp, Inc., a franchise consulting firm in Olympia Fields, Illinois. From 2008 to 2010 Ms. Klein served as Contract Attorney for Swanson & Brown, LTD, a law firm in Palos Heights, Illinois and in 2009 Ms. Klein also served as a Contract Attorney for Special Counsel, Inc., a legal staffing firm in Chicago, Illinois.

Franchise Development Management Consultant: Peter Baldine

From 1999 to 2006, Peter Baldine served as our Senior Vice President. From 2007 to 2008, Mr. Baldine served as our Chief Development Officer. In 2008, Mr. Baldine founded Accelerated Development, Inc., a franchise development consulting firm in Morris, Illinois. He has served as President of Accelerated Development, Inc. since its inception. Mr. Baldine, through his company assists us in the management of our franchisee development and franchise sales activities.

### **ITEM 3**      **LITIGATION**

Ben B. Floyd, Trustee v. Moran Industries, Inc., Wayne C. Ray, Certified Business Brokers, Ltd. and CBB, GP, L.L.C. (Montgomery County, Texas, Case No. 07-02-01360) (February 2007). The trustee, Ben Floyd, of the bankruptcy estate of Eric Kellen (a former Mr. Transmission franchisee) filed suit against us and our franchisee, Wayne Ray, for fraud, deceptive trade practice and negligent misrepresentation, alleging that we and Ray made misrepresentations to Kellen in connection with Ray's sale of his franchise to Kellen. We contended that we did not make any misrepresentations to Mr. Kellen in connection with his purchase of the franchise from Ray and we were not responsible for Ray's alleged conduct. Court-ordered mediation was then

held and in mediation we (and Wayne Ray) agreed to pay \$135,000 to the bankruptcy estate. On September 4, 2009, the trustee withdrew the case and the suit was dismissed.

Other than the above, no litigation is required to be disclosed in this Item.

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#### **ITEM 4**      **BANKRUPTCY**

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

#### **ITEM 5**      **INITIAL FRANCHISE FEE**

The initial franchise fee for the right to operate a Center is \$30,000. The initial franchisee fee for the right to operate a Co-Brand Center is \$35,000. The initial franchise fee is nonrefundable and is due in one lump sum at the time of signing the Franchise Agreement.

We may finance a portion of the initial franchise fee. (For further information about financing a portion of the initial franchise fee, see Item 10).

We are a member of the International Franchise Association (the "IFA") and we participate in the IFA's VetFran Program that provides special financial incentives to qualified veterans. Currently, we offer qualified veterans a one-time discount in the amount of \$5,000 towards the initial franchise fee for the purchase of any combination of trademark licenses for new franchised businesses. Please ask us for more information about the VetFran program.

The initial franchise fee to open a second Center or Co-Brand Center after signing the Franchise Agreement and payment in full for the first Center or Co-Brand Center is \$22,500. The initial franchise fee to open a third Center or Co-Brand Center is \$17,500. The initial franchise fee for co-branding an existing Center is \$5,000.

You are required to place a deposit in the sum of \$5,000 (the "Security Deposit") prior to opening your Center or Co-Brand Center. The Security Deposit is retained by us if the Franchise Agreement expires and is not renewed or is terminated for any reason other than a transfer. When we retain the Security Deposit, any monies may be applied to any unpaid amounts or fees which you may have failed to pay to us upon termination of the Franchise Agreement. The Security Deposit is not to be used during the operation of your Center or Co-Brand Center. The Security Deposit may also be used to pay for future warranty repairs upon closing. The Security Deposit may be refundable 90 days after completion of resale or transfer if certain terms and conditions are met.

You must pay us a training fee of \$5,000 (the "Training Fee") prior to opening your Center or Co-Brand Center. If you purchase an existing Center or Co-Brand Center and intend to begin operations prior to completing our required training course, the Training Fee is payable on signing the Franchise Agreement. The Training Fee is nonrefundable.

You must purchase one or 2 software licenses (depending on whether you are establishing a Center or a Co-Brand Center) for our TPM PRO proprietary software and pay us an initial set-up fee. If you are establishing a Center you will need to purchase one TPM PRO software license and the initial software license and set-up fee is \$2,500. If you are establishing a Co-Brand Center you will need to purchase 2 TPM PRO software licenses and the cost for the initial software licenses and the set-up fee is \$2,800. You will purchase the TPM PRO license(s) from us and pay us the set-up fee prior to opening your Center or Co-Brand Center. The purchase price for the TPM PRO software license(s) and set up fee payments are nonrefundable.

There is an area developer fee of \$10,000 for each Center or Co-Brand Center to be developed under the mandatory development schedule contained within the Area Developer Agreement. The amount of the area developer fee ranges from a minimum of \$40,000 for 4 units to a

maximum of \$200,000 for 20 units. This area developer fee is due upon execution of the Area Developer Agreement and will not be credited towards the initial franchise fee payable under the Franchise Agreement. The area developer fee is payable in addition to the initial franchise fee paid as a current franchisee. The area developer fee is considered to be fully earned upon payment and is nonrefundable.

We may finance a portion of the area developer fee. (For further information about financing a portion of the area developer fee, see Item 10).

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**ITEM 6****OTHER FEES****Center Franchise or Co-Brand Center Franchise**

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
<b>Weekly Royalty Fee</b> (Note 1)	7% of Gross Sales (Note 2)	Weekly; Due no later than Friday of each week for sales made during the prior week (Note 3)	Payable via ACH debit. See definition of Gross Sales (Note 2)
<b>Creative Funds Contribution</b> (Note 4)	Currently 1% of Gross Sales or a minimum of \$100 per month, (whichever is greater) for Centers or 1% of Gross Sales, or a minimum of \$200 per month (whichever is greater) for Co-Branded Centers (see Note 4); We may increase required monthly contributions up to 3% of Gross Sales	Monthly; Due with the first payment of royalties for the month	Payable via ACH debit
<b>TPM PRO Software Subscription Fee</b> (Note 5)	Currently \$75 per month	Monthly; Due with the first payment of royalties for the month	Payable via ACH debit
<b>Fleet Services – Processing Fee</b> (Note 6)	5% of amount payable to you	Not Applicable	Deducted from monies collected from fleet customers on your behalf
<b>Late Royalty Fee</b> (Note 3)	1% to 3% of weekly Gross Sales	When billed	Payable any week a royalty payment is late
<b>Audit Costs</b> (Note 7)	Cost of audit plus interest on amounts at the default rate	When billed	Payable should we conduct an audit and it reveals you have underreported any amount you owe us by 2% or more

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
<b>Costs of Enforcement and Investigation</b> (Note 8)	Varies	As incurred	Payable should you fail to comply with your Franchise Agreement. Payable in connection with an investigation of your operations if such investigation reveals any fraudulent or illegal conduct
<b>Transfer Fee</b> (Note 9)	The then current transfer fee (currently \$7,500)	At time of transfer	Payable if you sell your Center
<b>Renewal Fee</b> (Note 10)	The then current renewal fee (currently \$2,500)	At the signing of the then current form of Franchise Agreement	Payable when you renew your Franchise Agreement

Unless otherwise noted, all of the fees above are imposed by us, payable to us and are non-refundable.

NOTES:

1. **Royalty Fee.** In addition to the initial franchise fees discussed above in Item 5, we will collect a continuing non-refundable weekly royalty fee in an amount equal to 7% of your weekly Gross Sales (defined in Note 2 below). If you are a conversion franchisee, we establish median Gross Sales for your existing transmission service center. During the first 3 years of your franchise term, your weekly royalty fee payment will be equal to the sum of 2% of median Gross Sales plus 7% of Gross Sales above median sales. At the conclusion of the first 3 years and during the remainder of the initial term, your weekly royalty fee payment will be 7% of Gross Sales.

2. **Gross Sales.** “Gross Sales” is defined as all sales generated of any kind whatsoever, regardless of whether cash payment is actually received by you at the time of the transaction, including credit card sales and accounts receivable sales, in connection with the operation of your Center or Co-Brand Center including, but not limited to, sales of automotive supplies, accessories, gas, oil, repair parts and/or any service or product sold within or without the Center or Co-Brand Center premises, but excluding intra-company warranty repairs. Gross Sales shall not include sales tax, excise tax or other tax with respect to such sales, but shall include “business interruption” insurance payments.

3. **Royalty Late Payment Charge.** If you fail to pay your royalties when due, you will be required to pay the following late payment charges to us: (1) an additional 1% Gross Sales royalty fee must be paid by you in any week where the royalty fee payment is late; (2) for each additional week the royalty fee payment is not paid, an additional 1% Gross Sales royalty fee will accrue against the current week’s royalty and the past due royalty, i.e., if late 1 week, the royalty will be 8%; if late 2 weeks, the royalty will be 9%; and if late 3 weeks, the royalty will be 10%. After 3 weeks, the royalties will remain at 10% until your royalty account is brought current.

4. Creative Funds Contribution. You agree to make monthly contributions to one or more creative funds (collectively referred to as the "Creative Funds") for the creation and production of creative marketing concepts. Currently, if you are establishing a Center, you must contribute 1% of your Gross Sales or make a minimum contribution of \$100 (whichever is greater) each month to the Moran Creative Fund. If you are establishing a Co-Brand Center, you will contribute to the Moran Creative Fund and also to a second creative fund (the "Milex Creative Fund") and your required contribution will be 1% of your Gross Sales or a minimum contribution of \$200 (whichever is greater) each month. If you operate more than one Center, Co-Brand Center or any combination of both, you must make the required contribution to the Moran Creative Fund and Milex Creative Fund (collectively the "Creative Funds") for each Center or Co-Brand Center. You must make your monthly contribution(s) to the Creative Funds with the first weekly royalty payment of the month. Your contributions must be made via ACH debit payable to the Moran Creative Fund and Milex Creative Fund (if applicable). We allocate your contributions and direct the use of the Creative Funds for the System's benefit and in our sole discretion.

5. Software Support and Maintenance Fee. We require you to use our proprietary TPM PRO software to manage your Center or Co-Brand Center. TPM PRO software is available from Moran. TPM PRO software performs various functions such as the preparation and production of customer repair orders, calculation of your cost of goods, and record keeping functions. Minor updates may be made available from time to time via remote online access to your computer(s). You will be required to update your TPM PRO software when new updates are made available. Monthly subscription fee payments begin 4 months after TPM PRO is installed on your computer system(s). The fee includes our technical support and maintenance services. We collect the monthly subscription fee from you via ACH debit when we collect the first royalty payment for the month. The monthly subscription fee for TPM PRO software is subject to change.

6. Fleet Services – Processing Fee. If you provide services to a fleet customer that are arranged through our fleet services division, we collect payments on behalf of all the franchisees servicing the fleet customer and then remit payments to you and the other franchisees. We deduct a 5% processing fee for our administration of a centralized billing and payment system. The fee is deducted from payments collected from the fleet customer and the remainder is remitted to you and other franchisees for services rendered.

7. Audit Costs. We, our designated certified public accountants, or our other duly authorized agents have the right during business hours to audit or examine, at our expense, your books, business machines, records, tax returns and any other documentation. You will be required to immediately remit to us any charges that an audit reveals are due plus interest at the lesser of 18% or the highest rate allowed by law from the date any such charge became due. If an audit discloses an error in the computation of the total Gross Sales made from or on the premises in excess of 2%, you will be required to pay or reimburse us for any and all expenses incurred by us in connection with the audit, including, but not limited to, legal and accounting fees. This right of our accountants or authorized agents continues for a period of 180 days after expiration or termination of the Franchise Agreement. If an audit of your business discloses missing repair orders which have previously been assigned to you, you agree that for each missing repair order not presented to us, you will pay the then current royalty fee/percentage on each missing repair order based on an amount equal to \$2,000 for each repair order or the average repair order sale for your Center or Co-Brand Center (whichever is greater).

8. **Costs of Enforcement and Investigation.** You must reimburse us our reasonable costs and expenses to enforce the Franchise Agreement if you fail to comply. These costs may include collection costs, investigatory costs, attorney's fees, court costs and other similar costs. We or our designated agent have the right at all times to conduct investigations of your operations. In conducting these investigations, you must permit us or our designated representative complete access to your books, business machines, records, premises and operations, and allow us to interview your employees. If any investigation reveals that you have committed any fraudulent or illegal act with respect to the operation of your Center or Co-Brand Center, in addition to any other rights and remedies we may have under the Franchise Agreement, you will be required to reimburse us for the expense of the investigation, any additional costs we incur and our attorneys' fees. These fees are also payable to us if we prevail in a suit, action or proceeding.

9. **Transfer Fee.** If you transfer pursuant to Section 23 of the Franchise Agreement (see Item 17 of this franchise disclosure document for the conditions and terms under which you may assign), you must pay our then current transfer fee (currently \$7,500). If we incur any extraordinary costs, you will be responsible for all reasonable costs and expenses incurred by us as a consequence of your assignment.

10. **Renewal Fee.** At the end of the term of the Franchise Agreement, we require that you pay us a renewal fee to continue your license for the use of our Proprietary Marks and System.

#### **Area Developer Franchise**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>
<b>Transfer Fee</b> (Note 1)	10% of then current area developer fee	On closing of transfer
<b>Costs and Reasonable Attorneys' Fees</b> (Note 2)	Varies	As incurred in a suit, action or proceeding

All fees and payments are non-refundable unless otherwise stated.

#### NOTES:

1. All fees are imposed by and payable to us.
2. Payable to us if we prevail in a suit, action or proceeding.

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**ITEM 7****ESTIMATED INITIAL INVESTMENT****YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT CENTER FRANCHISE</b>	<b>AMOUNT CO-BRAND CENTER FRANCHISE</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
<b>Franchise Fee</b> (Note 1)	\$30,000	\$35,000	Lump sum	At signing of Franchise Agreement	Us
<b>Computer Software and Hardware System(s)</b> (Note 2)	\$2,959 to \$4,159	\$3,759 to \$4,959	As incurred	Prior to opening	Transmission City or independent third parties
<b>TPM PRO Software License(s) and Initial Set-up Fee</b> (Note 3)	\$2,500	\$2,800	Lump sum	Prior to opening	Us
<b>Initial Parts, Inventory, Office Supplies, Shop Supplies, Tools and Promotional Items</b>	\$8,688 to \$10,188	\$10,795	Lump sum or as incurred	Prior to opening	Transmission City or independent third parties
<b>Equipment, Furniture and Fixtures</b> (Note 4)	\$52,168 to \$55,338	\$63,912 to \$79,725	Lump sum or as incurred	Prior to opening	Transmission City or independent third parties
<b>Signs</b> (Note 5)	\$8,000 to \$16,000	\$8,000 to \$16,000	Lump sum or as incurred	Prior to opening	Transmission City or independent third parties
<b>Initial Marketing Campaigns</b> (4 to 6 months)	\$4,000 to \$20,000	\$4,000 to \$20,000	As incurred	Prior to opening	Independent third parties

TYPE OF EXPENDITURE	AMOUNT CENTER FRANCHISE	AMOUNT CO-BRAND CENTER FRANCHISE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
<b>Warranty Fund Security Deposit</b> (Note 6)	\$5,000	\$5,000	Lump sum	Prior to opening	Us
<b>Leasehold Improvements/ Miscellaneous</b> (Note 7)	\$5,000 to \$20,000	\$5,000 to \$20,000	As arranged	Prior to opening	Independent third parties
<b>Rental/Utility Deposits</b> (Note 8)	\$12,000 to \$18,000	\$12,000 to \$18,000	As arranged	Prior to opening	Independent third parties
<b>Training Fee</b> (Note 9)	\$5,000	\$5,000	Lump sum	Prior to opening	Us
<b>Training Expenses</b> (Note 9)	\$3,000 to \$5,000	\$3,000 to \$5,000	As incurred for your out-of-pocket expenses	Prior to opening	Independent third parties
<b>Additional Funds</b> (6 months) (Notes 10 and 11)	\$35,000 to \$55,000	\$35,000 to \$55,000	As incurred	Prior to and after opening	Independent third parties
<b>TOTAL</b>	\$173,315 to \$246,185	\$193,266 to \$277,279	See above	See above	See above

**Unless otherwise noted, all of the fees above are non-refundable.**

**NOTES:**

1. Franchise Fee. The initial franchise fee is due in full on signing the Franchise Agreement. The initial franchise fee to open a second Center or Co-Brand Center after the signing of the Franchise Agreement and payment in full for the first Center or Co-Brand Center is \$22,500. The initial franchise fee to open a third Center or Co-Brand Center is \$17,500. The initial franchise fee for co-branding of a current Center is \$5,000. Additional franchises may be

awarded if our qualifying criteria are met and you are in good standing under your existing agreement(s).

2. Computer Software and Hardware System(s). This category includes estimated costs for the computer system(s) consisting of the hardware and software that you will need to operate the Center or Co-Brand Center. To operate a Center, you will need one computer system for Center operations. To operate a Co-Brand Center, you will need 2 computer systems for the Co-Brand Center operations, and you will also need to establish a network connection between the 2 computer systems. You are required to use our proprietary TPM PRO software program to manage your Center or Co-Brand Center sales. The cost of TPM PRO software license(s) and an initial set-up fee that you must pay us is included within the category, "TPM PRO Software License(s) and Initial Set-up Fee," (see Note 3 below). Estimated costs are based on the purchase of one computer system for the Center or 2 computer systems for the Co-Brand Center, software licenses for one or more users (depending on the software), an internet connection, and a network connection between 2 computer systems (if applicable). If you are a conversion franchisee, we assume you will be able to use some components of your existing transmission center computer system and your costs should be less.

3. TPM PRO Software License(s) and Initial Set-up Fee. You are required to use our proprietary TPM PRO software program to manage your Center or Co-Brand Center sales. If you are establishing a Center you will need to obtain one license for TPM PRO software for Center operations. If you are establishing a Co-Brand Center, you will need 2 licenses for TPM PRO software. The initial cost for the software license(s) and to set-up TPM PRO on the computer system(s) is described in greater detail in Item 5. During the term of the franchise, you will pay a monthly subscription fee for TPM PRO (see Item 6 for ongoing payments).

4. Equipment, Furniture and Fixtures. This is an estimated range of costs, expenses, funds and/or deposits for a fully equipped 6-bay deluxe Center or a 6-bay, 6-lift Co-Brand Center. Your costs may be lower depending on your number of bays and lifts. If you are a conversion franchisee, we assume that you have already acquired some of the equipment, furniture and fixtures that we specify and only certain items will be needed to convert your existing transmission service center to the Center or Co-Brand Center. If you are establishing a conversion franchise your costs should be lower.

5. Signs. You are required to purchase a road sign and a building sign advertising your Center or Co-Brand Center in accordance with current specifications and in compliance with any local codes or ordinances. Costs may vary depending on a variety of circumstances, including local ordinances, restrictions, and installation costs. This estimate does not include any costs for electricity to the sign or any fees, freight or taxes. You must also pay the costs for complying with applicable law and obtaining all permits and licenses, insurance coverage and connection, maintenance and cost of supply of electricity, relative to the signs.

6. Warranty Fund Security Deposit. See Item 5, "Security Deposit" for a description of this one-time payment.

7. Leasehold Improvements/Miscellaneous. To adapt a newly acquired facility for operation of your Center or Co-Brand Center, it must be renovated. The cost of leasehold improvements will vary depending on factors including, the size, condition and location of the facility, local wage rates and the cost of materials. The low estimate assumes that your landlord

will provide a partial build-out allowance. If you are a conversion franchisee, we assume that your costs will be significantly less.

8. Rental/Utility Deposits. You must lease or otherwise provide a suitable facility for the operation of the Center or Co-Brand Center. If you are a conversion franchisee, we assume you will not have any expense. Estimated costs of utility deposits to establish service for electric and gas are included in this category of costs. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services. The amount of the deposit will vary depending on the local utilities. Lease acquisition costs will vary based on square footage, cost per square foot and required maintenance costs. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. The low estimate in this category is based on an assumption that you will have to pay a security deposit equal to 2 months' rent to lease the facility. The high estimate is based on an assumption that you will have to pay a security deposit equal to 3 months' rent at a higher cost per square foot. The estimated range of costs for rental/utility deposits in this category only includes your costs to enter into a lease agreement for the facility and establish utility services. Estimated rent payments and utility bills for 6 months are included with the category, "Additional Funds," (see Notes 10 and 11 below).

9. Training Fee/Expenses. You are required to pay a fee for the classroom and field training course. You are also responsible for transportation to and from Midlothian, Illinois (or any other location we may designate), lodging, vehicle rental, meals or any other out-of-pocket expenses you incur while you attend the training course.

10. Additional Funds. This category estimates your initial start-up expenses for the opening and initial period of operating your Center or Co-Brand Center. The estimated range of expenses is based on an initial period of approximately 6 months. These expenses include initial expenses for deposits, installation costs, insurance premiums, business licenses and other expenses not included in the above categories and payroll costs, rent, loan payments, commissions, additional improvements, utilities and other typical operating expenses. The start-up revenue may not cover expenses during the initial months of operation. We estimate that the above-referenced amount will be sufficient to cover on going expenses for the start-up phase of your Center or Co-Brand Center. This is only an estimate; we do not represent or guarantee, and there is no assurance that additional working capital will not be necessary during the start-up phase or after. Your costs will depend on factors such as your management skills, experience, business acumen, local economic conditions, local market for prevailing wage rate, competition and the sales level reached during the initial period. As a conversion franchisee, we assume that your additional incremental expenses should be less.

11. Additional Funds Cont'd. If you are seeking financing in connection with establishing a Center or Co-Brand Center, you are responsible in all cases for obtaining such financing. The availability of such financing will depend on factors such as the availability of financing generally, your creditworthiness, security which you may have, and various other factors considered by the lender. In the future, we may provide financing for the purchase of equipment necessary to establish a Center or Co-Brand Center. We make no representation or guarantee that you will be able to obtain such financing and you will be required to meet our criteria for such financing arrangements. See also Item 10 of this franchise disclosure document.

The typical franchisee leases, rather than purchases, the land and building to be used for the Center or Co-Brand Center. The approximate size of the building will generally range from



3,500 to 4,500 square feet with the standard size considered to be 4,000 square feet. The size of the real property on which the building is located will vary widely, depending on many factors such as availability and need. The minimum acceptable size for the real property is 20,000 square feet. You may incur a broker's fee if you decide to hire a broker to assist you with your lease, but it is not necessary that you do so. In certain instances we may purchase or lease the building or land on which the franchise is to be located and will lease or sublease said building and land to you. In such instances lease payments will be made directly from you to us. Such rental payments may be greater than the payments made by us to the original lessor. We have no present plans to purchase or lease any property or lease or sublease to any franchisee, but we reserve the right to do so.

All of the above previously discussed costs are estimates only. Actual costs may vary depending upon a variety of factors including the area where the Center or Co-Brand Center is located. We make no representation or guarantee that your initial expenditures or investment will not exceed the estimates. A schedule of equipment is available for your review.

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### **YOUR ESTIMATED INITIAL INVESTMENT**

**For area developers:**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
<b>Area Developer Fee</b> (Note 1)	\$10,000 per unit as outlined in the mandatory development schedule; 4 unit minimum = \$40,000/20 unit maximum = \$200,000	See Item 5	See Item 5	Us
<b>Start Up, Travel, Meals and Lodging Expenses</b> (Note 2)	\$2,000	As incurred	As incurred	Independent third parties
<b>TOTAL</b>	\$42,000 to \$202,000	See above	See above	See above

**Unless otherwise noted, all of the fees above are non-refundable.**

**NOTES:**

1. There is an area developer fee in the amount of \$10,000 for each Center or Co-Brand Center to be developed under the Area Developer Agreement (four Center or Co-Brand Center minimum). This area developer fee is due at the signing of the Area Developer Agreement and will not be credited towards any initial franchise fee payable under any Franchise Agreement. The area developer fee is payable in addition to any initial franchise fee. The area developer fee is not refundable.

2. You will be responsible for all of your expenses for travel, meals, lodging and other related expenses that you incur to attend and complete our initial training program and any additional training sessions we may conduct with you.

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

### **Required Purchases**

You must purchase or lease (as applicable) equipment, signs, furniture, fixtures, supplies, computer software and hardware, tools, internet marketing and advertising services and items displaying our Proprietary Marks under our specifications in the Manual. These specifications include standards and specifications for appearance, quality, price, performance and functionality. These standards and specifications are based on our experience in operating businesses of the type we are franchising and through industry research and testing in our franchisee's businesses. We may communicate our standards and specifications directly to suppliers who wish to become a designated or approved supplier for our franchisees. We communicate our standards and specifications to you when we evaluate your proposed Center or Co-Brand Center location, during training, during on-site visits and through the Manual, (including periodic bulletins). We will periodically issue new standards and specifications (if any) through written notices.

### **Required and Approved Suppliers and Revenue from Franchisee Purchases**

If you are establishing a Center, you must purchase a license to use our proprietary software, TPM PRO from us. If you are establishing a Co-Brand Center, you must purchase 2 TPM PRO software licenses from us. You must also obtain software installation, set-up, and technical support services from us. We are the only approved supplier of our proprietary software and these related services, and currently TPM PRO software is the only sales management software program we approve. If you would like to use an alternate software program, you must obtain prior approval. We will not approve an alternate software program if the program does not enable you to submit required reports and repair orders to us electronically. You are required to purchase repair orders from the Moran Creative Fund and the Milex Creative Fund (if applicable). The Creative Funds are the only approved suppliers of repair orders.

Transmission City is an approved supplier for initial equipment, signs, furniture, fixtures, inventory, office supplies, shop supplies, and small tools, but is not the only approved supplier. If you would like to purchase these items from other suppliers, the supplier must meet our approval and our supplier standards will be provided to you as outlined in your pre-opening manual. You must submit your written proposal to us and we will review the supplier for quality, reputation, and performance and reply to your proposal within 30 days. Our CEO and President, Barbara Moran-Goodrich, COO, Ronald Frydrychowski, and Vice President of Corporate Services, Jack Yost own an interest in our company. Ms. Moran-Goodrich also owns an interest in Transmission City.

In the year ending December 31, 2013, our revenue from the sale of TPM PRO software licenses and software installation, set-up, and technical support services to franchisees was \$26,890.15<sup>1</sup>, or less than 1% of our total revenues of \$3,204,194. The cost of a TPM PRO software license and software installation, set-up and technical support services purchased from

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<sup>1</sup> Includes our revenue from sales of TPM PRO to any franchisee of our franchise systems including, Alta Mere Automotive Outfitters, Dr. Nick's Transmissions, Milex Complete Auto Care, Mr. Transmission, Multistate Transmissions and SmartView.

us will represent less than 1% of your total purchases in establishing a Center or Co-Brand Center and less than 1% of your annual operating costs.

In the year ending December 31, 2013, the Creative Funds' revenue from the sale of repair orders to franchisees was \$2,865.35, or 3% of the Creative Funds' total revenues of \$106,829.37. The cost of repair orders purchased from the Creative Funds will represent less than 1% of your total purchases in establishing a Center or Co-Brand Center and less than 1% of your annual operating costs.

In the year ending December 31, 2013, Transmission City's revenue from the sale of initial equipment, signs, furniture, fixtures, inventory, office supplies, shop supplies, or other items to franchisees was \$78,798<sup>2</sup> or 23% of Transmission City's total revenues of \$344,517.29. The cost of initial equipment, signs, furniture, fixtures and other items purchased from Transmission City or another approved supplier will represent approximately 35% to 45% of your overall purchases in establishing a Center or approximately 42% to 54% of your overall purchases in establishing a Co-Brand Center.

An approved supplier of payment transaction services, including credit card payment processing and settlement services pays us a referral fee of 15% to 18% of their earnings received from qualified franchisee purchases plus \$100 per qualified referral. Another approved supplier of payment transaction services, including check payment processing and settlement services, pays us a referral fee of 3% to 15% of their revenue from qualified franchisee purchases. An approved supplier of online marketing and advertising services also pays us a referral fee of 3% of qualified franchisee purchases. We contribute the percentage referral fees we receive from each of these approved suppliers to the Creative Funds.

An approved supplier of automotive parts pays us a rebate of 1% of qualified franchisee purchases. The supplier also pays you a rebate of 2% of your qualified purchases.

We do not currently have any other rebate programs in place for our franchisees, but we reserve the right to derive revenue from franchisee purchases from other approved suppliers in the future.

We negotiate purchase arrangements and preferred vendor pricing with suppliers for the benefit of franchisees. We do not have any purchasing or distribution cooperatives.

We also require you to use approved suppliers for certain categories of products and services such as lifts, battery chargers, air compressors, special shop equipment, internet marketing and advertising services and materials, and business website development and domain name registration services. If you would like to purchase these products or services from other suppliers, the supplier must meet our approval and our supplier standards will be provided to you as outlined in your pre-opening manual. You must submit your written proposal to us and we will review the supplier for quality, reputation and performance. We will reply to your proposal within 30 days.

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<sup>2</sup> Includes Transmission City's revenue from sales to any franchisee of any our franchise systems including, Alta Mere Automotive Outfitters, Dr. Nick's Transmissions, Milex Complete Auto Care, Mr. Transmission, Multistate Transmissions and SmartView.

These suppliers have been selected for the quality and durability of their products, their longevity in business and their business reputation. We do not provide material benefits to a franchisee based on the franchisee's purchase of particular products or services or use of particular suppliers.

#### Insurance:

The following insurance is required (minimum requirements):

- Broad Form Commercial General Liability coverage, which must include Product Liability Insurance, with a minimum limit of One Million Dollars (\$1,000,000) per occurrence/Two Million Dollars (\$2,000,000) aggregate covering Bodily Injury and Property Damage; Moran Industries, Inc., its subsidiaries, affiliates, shareholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor";
- Automobile Liability coverage with One Million Dollars (\$1,000,000) combined Single Limit for All Owned Autos, Non Owned Autos and Hired Autos; Moran Industries, Inc., its subsidiaries, affiliates, shareholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor";
- Excess Liability/Umbrella Policy with a minimum limit of One Million Dollars (\$1,000,000); This coverage extends to cover General Liability, Auto Liability and Employer's Liability;
- Worker's Compensation and Employer's Liability coverage with minimum liability limits of One Hundred Thousand Dollars (\$100,000), or statutory amounts, whichever is greater, (required even if your Center or Co-Brand Center is located in a state that does not mandate Worker's Compensation Insurance);
- Garagekeeper coverage with minimum amount of Twenty Thousand Dollars (\$20,000) per service bay at your Center or Co-Brand Center;
- Employment Practices Liability Insurance to include first and third parties, with a minimum limit of Fifty Thousand Dollars (\$50,000); Moran Industries, Inc., its subsidiaries, affiliates, shareholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor";
- Special Cause of Loss coverage on your Center or Co-Brand Center including improvements, equipment, furnishings, fixtures and inventory for the full values and Business Interruption; and
- Moran Industries, Inc., its subsidiaries, affiliates, shareholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor" on some of the insurance policies listed above including, Commercial General Liability, Automobile Liability and Employment Practices Liability Insurance (third parties).

THE INSURANCE REQUIREMENTS LISTED ARE MINIMUM STANDARDS AND REQUIRED UNDER YOUR FRANCHISE AGREEMENT. THESE MINIMUM REQUIREMENTS DO NOT SERVE AS LEGAL ADVICE. YOU SHOULD CONSULT YOUR INSURANCE AGENT OR INDEPENDENT LEGAL COUNSEL IN ORDER TO DETERMINE WHAT ADDITIONAL COVERAGE, IF ANY, IS MOST SUITABLE FOR YOUR INDIVIDUAL BUSINESS NEEDS.

THE STANDARDS, SPECIFICATIONS AND DESIGNATION OF APPROVED SUPPLIERS DISCLOSED ABOVE ARE REQUIRED FOR THE PURPOSE OF PROTECTING THE PROPRIETARY MARKS AND MAINTAINING UNIFORMITY AND CONSISTENCY. YOU ARE OBLIGATED TO INVESTIGATE AND COMPLY WITH FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS AND WE WILL VARY OUR STANDARDS, SPECIFICATIONS AND DESIGNATION OF APPROVED SUPPLIERS AT YOUR REQUEST IF NECESSARY TO COMPLY WITH ANY LAW OR REGULATION.

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**ITEM 9      FRANCHISEE'S OBLIGATIONS****For Franchisees:**

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

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item In Disclosure Document</b>
a. Site selection and acquisition/lease	Sections 1, 2, 4, 6(j), and 33 of Franchise Agreement Section 2 of Conversion Franchise Addendum	Item 11
b. Pre-opening purchases/leases	Sections 5, 14, 16, 20, and 33 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Sections 4, 5, and 6 of Franchise Agreement	Items 6, 7, and 11
d. Initial and ongoing training	Section 6 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Item 11
e. Opening	Sections 1, 2, 4, 5, and 6 of Franchise Agreement Section 2 of Conversion Franchise Addendum	Item 11
f. Fees	Sections 6, 11, and 12 of Franchise Agreement Sections 1 and 6 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	Items 5, 6, and 7
g. Compliance with standards and policies/operating manuals	Sections 7 and 8 of Franchise Agreement Section 5 of Co-Branding Franchise Addendum	Item 11
h. Trademarks and proprietary information	Sections 7, 13, and 22 of Franchise Agreement Section 5 of Co-Branding Franchise Addendum	Items 13 and 14

<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Item In Disclosure Document</b>
i. Restrictions on products/services offered	Sections 6, 8, 15, 16, and 18 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Item 16
j. Warranty and customer service requirements	Sections 8, 17, and 18 of Franchise Agreement Section 7 of Co-Branding Franchise Addendum	Item 11
k. Territorial development and sales quotas	Not Applicable	Item 12
l. Ongoing product/service purchases	Section 15 of Franchise Agreement Section 5 of Co-Branding Franchise Addendum	Items 6 and 8
m. Maintenance appearance and remodeling requirements	Section 8 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Item 11
n. Insurance	Section 20 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Items 6 and 8
o. Advertising	Section 19 of Franchise Agreement Section 6 of Co-Branding Franchise Addendum	Items 6 and 11
p. Indemnification	Sections 20 and 21 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Item 6
q. Owner's participation/management/staffing	Sections 6, 8, and 21 of Franchise Agreement	Item 6
r. Records and reports	Sections 12, 13, and 14 of Franchise Agreement	Item 6
s. Inspections and audits	Sections 12 and 13 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 23 of Franchise Agreement	Items 6 and 11
u. Renewal	Section 3 of Franchise Agreement	Item 17



Obligation	Section in Franchise Agreement	Item In Disclosure Document
v. Post-Termination obligations	Sections 27, 28, and 29 of Franchise Agreement Section 12 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	Item 17
w. Non-competition covenants	Sections 25 and 27 of Franchise Agreement Section 10 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	Item 17
x. Dispute Resolution	Section 38 of Franchise Agreement	Item 17

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**For Area Developers:**

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

<b>Obligation</b>	<b>Section In Area Developer Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	Sections 1, 2, 4, 6(j), and 33 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Sections 5, 14, 16, 20, and 33 of Franchise Agreement	Items 6, 7, and 8
c. Site development and other pre-opening requirements	Sections 4, 5, and 6 of Franchise agreement Section 3 of Area Developer Agreement	Items 6, 7, and 11
d. Initial and ongoing training	Section 6 of Franchise Agreement	Item 11
e. Opening	Sections 1, 2, 4, 5, and 6 of Franchise Agreement Section 3 of Area Developer Agreement	Item 11
f. Fees	Sections 6, 11, and 12 of Franchise Agreement Section 2 of Area Developer Agreement	Items 5, 6, and 7
g. Compliance with standards and policies/operating manuals	Sections 7 and 8 of Franchise Agreement Section 5 of Area Developer Agreement	Item 11
h. Trademarks and proprietary information	Sections 7, 13, and 22 of Franchise Agreement Section 5 of Area Developer Agreement	Item 16
i. Restrictions on products/services offered	Sections 6, 8, 15, 16, and 18 of Franchise Agreement Section 5 of Area Developer Agreement	Item 16
j. Warranty and customer service requirements	Sections 8, 17, and 18 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Section 3 of Area Developer Agreement	Item 12
l. Ongoing product/service purchases	Section 15 of Franchise Agreement	Item 8

<b>Obligation</b>	<b>Section In Area Developer Agreement</b>	<b>Item in Disclosure Document</b>
m. Maintenance, appearance and remodeling requirements	Section 8 of Franchise Agreement	Item 11
n. Insurance	Section 20 of Franchise Agreement Section 10 of Area Developer Agreement	Items 6 and 8
o. Advertising	Section 19 of Franchise Agreement Section 5 of Area Developer Agreement	Items 6 and 11
p. Indemnification	Sections 20 and 21 of Franchise Agreement Section 9 of Area Developer Agreement	Item 6
q. Owner's participation/management/staffing	Sections 6, 8, and 21 of Franchise Agreement Section 5 of Area Developer Agreement	Item 6
r. Records/reports	Sections 12, 13, and 14 of Franchise Agreement Section 5 of Area Developer Agreement	Item 6
s. Inspections/audits	Sections 12 and 13 of Franchise Agreement	Items 6 and 11
t. Transfer	Section 23 of Franchise Agreement Section 12 of Area Developer Agreement	Items 6 and 11
u. Renewal	Section 3 of Franchise Agreement Section 1 of Area Developer Agreement	Item 17
v. Post-termination obligations	Sections 27, 28, and 29 of Franchise Agreement Section 13 of Area Developer Agreement	Item 17
w. Non-competition covenants	Sections 25 and 27 of Franchise Agreement Section 13 of Area Developer Agreement	Item 17
x. Dispute Resolution	Section 38 of Franchise Agreement Section 16 of Area Developer Agreement	Item 17

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## **ITEM 10      FINANCING**

We may finance a portion of your franchise fee. The following chart summarizes terms of the financing we may offer. This chart is for illustrative purposes only. We may vary financing terms and conditions or choose not to provide financing.

<b>Finance Program</b>	<b>Amount Financed</b>	<b>Down Payment</b>	<b>Term</b>	<b>APR<sup>3</sup></b>	<b>Monthly Payment</b>	<b>Prepay Penalty<sup>4</sup></b>	<b>Security Required<sup>5</sup></b>	<b>Liability on Default<sup>6</sup></b>	<b>Loss of Legal Right on Default</b>
Franchise Fee <sup>1</sup>	Up to \$20,000 for a Center or \$25,000 for a Co-Brand Center (up to 66% or 71% of your Franchise Fee) <sup>2</sup>	Not less than \$10,000, or approx. 28% to 33% <sup>2</sup>	24 months	Prime plus 2%	24 equal monthly installments	None	Assets of Franchise & Guarantee	Acceleration of amounts due	None <sup>7</sup>
Area Developer Fee <sup>1</sup>	Up to 25% <sup>2</sup>	Not less than \$10,000 to \$50,000 <sup>2</sup>	Same as above	Same as above	Same as above	Same as above	Assets of Franchises & Guarantee	Same as above	Same as above <sup>7</sup>

### **NOTES**

<sup>1</sup> As described in Item 5, the initial franchise fee is \$30,000 to \$35,000 and the area developer fee ranges from a minimum of \$40,000 for 4 units to a maximum of \$200,000 for 20 units.

<sup>2</sup> If you meet our credit standards, we may agree to finance a portion of the initial franchise fee or area developer fee (as applicable). We typically finance an amount up to approximately 66% of your franchise fee if you are purchasing a franchise for a Mr. Transmission or Multistate Transmissions Center to approximately 71% if you are purchasing a franchise for a Mr. Transmission or Multistate Transmissions / Milex Co-Brand Center. We typically finance an amount up to approximately 25% of your area developer fee. The exact amount we agree to finance will depend on your creditworthiness and other similar factors. The percentage of your franchise fee that may be financed will not exceed 66% for a Center or 71% for a Co-Brand Center. The percentage of your area developer fee that may be financed will not exceed 25%. If a commission or other similar fee to a broker is payable from the franchise fee (or area developer fee) then your down payment must be greater than the amount of the broker's commission or fee and the amount of financing we offer (if any) may be much less. The financed amount is evidenced by a promissory note (the same as or similar to Exhibit M) and is payable over a 24-month period (at our option) in equal monthly installments of principal

and interest. We reserve the right to vary any terms of financing. We have no arrangements to make financing available through third party lenders. We have no arrangements to sell, assign or discount to a third party all or part of our franchisees' financing arrangements, however, we may negotiate these arrangements with third parties in the future. We do not receive any payment from third party lenders as a result of financing arrangements with our franchisees. If we arrange in the future to sell, assign or discount our franchisees' financing arrangements to a third party, we would expect to derive revenue as a result. Also, you may lose defenses against the lender as a result of the sale or assignment. (Standard Promissory Note and Security Agreement, Exhibit M)

<sup>3</sup> Annual interest is payable on the unpaid principal at a rate of Prime plus 2% or as assigned as a part of the financing arrangement. The applicable interest rate will be stated in a promissory note. Interest rates will be assigned based on the amount financed, term of the loan, state laws assigning a maximum interest rate and other factors.

<sup>4</sup> There is no penalty for prepaying monthly installments. There is no penalty for paying any portion of the amount financed or the entire amount before due.

<sup>5</sup> We obtain a promissory note from you and your spouse and all of your partners and shareholders (if applicable) for the amount financed. The promissory note must be secured by all of the assets of the Center or Co-Brand Center (as applicable) (or by all of the assets of all Centers or Co-Brand Centers you own if you obtain financing of an area developer fee) and you will be required to sign a security agreement that is the same as or similar to the form of Security Agreement attached as Exhibit M. We also require you and your spouse and your partners and shareholders (if applicable) to guarantee the amount financed (along with all of your other obligations under the Franchise Agreement) by signing a guarantee that is the same as or similar to the form of Guarantee and Assumption of Obligations attached as Exhibit F.

<sup>6</sup> If you fail to timely make an installment payment, we may charge a late penalty. We may also require immediate payment of the unpaid balance of the financed amount, terminate the Franchise Agreement or Area Developer Agreement (as applicable) and recover from you and your guarantors our costs of enforcement, including attorneys' fees and costs.

<sup>7</sup> Neither you nor we will waive any of our legal rights or remedies in a financing agreement. However, we require you, your partners and shareholders to sign a guarantee the same as or similar to the form of Guarantee and Assumption of Obligations attached as Exhibit F, and this form of Guarantee and Assumption of Obligations contains the following waivers that you, your spouse, and your partners and shareholders (if applicable) agree to:

- (a) a waiver of your right to obtain acceptance (and notice of our acceptance) of the obligations each of you agree to undertake when you sign the Guarantee and Assumption of Obligations;
- (b) a waiver of the right to receive notice of demand for payment of any indebtedness or non-performance of any obligations guaranteed;
- (c) a waiver of the right to protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations guaranteed;

- (d) a waiver of any right to require that an action be brought against you or any other person as a condition of the guarantor's liability; and
- (e) a waiver of the right to any notices or legal or equitable defenses each of the guarantors may have.

If you request, we will also provide you with a list of lending organizations that can provide financing options relative to your investment needs and requirements for the purchase of equipment necessary to establish your Center or Co-Brand Center through third-party lenders. You will be solely responsible for obtaining any necessary financing through third-party lenders and for any additional fees or expenses imposed by a broker or lender. We do not receive payments from any third party who offers financing assistance.

We do not offer indirect financing or guarantee your note, lease or obligation. We do not represent, warrant, or guarantee that you will be successful in obtaining financing either from us or any other lender and cannot predict the terms of such financing. Your lender may require you to grant a security interest in favor of lender in all personal property, equipment, inventory and fixtures used in the in connection with the operation of your Center or Co-Brand Center.

Franchisees of the Mr. Transmission® and Multistate Transmissions® systems are eligible for expedited and streamlined Small Business Administration ("SBA") loan processing through the SBA's Franchise Registry Program, [www.franchiseregistry.com](http://www.franchiseregistry.com). Loan applications will still be reviewed individually by the SBA or its lenders. You cannot obtain SBA financing as an individual, you can only obtain SBA financing as a business entity.

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

### **A. For Franchisees:**

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

Before you begin operation of your Center or Co-Brand Center, we or an area developer will:

(1) Furnish you with detailed specifications for all outdoor and indoor signs to be used on the premises of the Center or Co-Brand Center. Our affiliate, Transmission City will make signs that meet our specifications available to you for purchase. You are under no obligation to procure approved signs from Transmission City. (see Section 5 of the Franchise Agreement);

(2) Provide you with mandatory training, including an intensive 2-week classroom training program consisting of Center or Co-Brand Center franchise owner/operator training and Center or Co-Brand Center management training, as well as a 1-week in-center "field" training program. Our initial training program is described in greater detail under the heading, "Training" below. We may also make available to you additional training courses during the term of the Franchise Agreement. (see Section 6 of the Franchise Agreement);

(3) Furnish you with our standard site plans and specifications for a Center or Co-Branded Center upon your request if the building for the Center or Co-Brand Center is to be

constructed after the Franchise Agreement is signed. (see Section 4 of the Franchise Agreement);

(4) Evaluate the site where you propose to establish your Center or Co-Brand Center for the purpose of approving the site. The responsibility and costs incurred for selecting a site are your sole responsibility. Our approval of any site is not a guarantee or warranty in any way that a Center or Co-Brand Center established at the site will be successful. (see Section 6(j) of the Franchise Agreement);

(5) Loan you a copy of our Manual and other operational materials. (see Section 8 of the Franchise Agreement);

(6) Assist you in developing an initial advertising plan. Provide you with specifications and designs for the development of marketing materials, including business cards, flyers, brochures, point-of-sale materials and other promotional materials; and

(7) Designate your Territory or Territories.

After the opening of your Center or Co-Brand Center, we or an area developer will:

(1) Provide additional assistance, supervision, advice or services to you at our sole discretion (see Sections 6(k) and 10 of the Franchise Agreement);

(2) At our option, schedule mandatory conferences from time to time to which all franchisees or their representatives will be invited, which may cover such topics as sales and marketing, financial management, automotive technical updates, performance standards, advertising programs and procedures. These training sessions will be at our expense, but you will be responsible for your own expenses for transportation, food, lodging and any other costs incurred in attending (see Section 6(l) of the Franchise Agreement);

(3) Furnish from time to time, at our sole discretion, counseling and advisory services and suggestions in the planning and development of your business (see Section 10 of the Franchise Agreement);

(4) At our sole discretion, apprise you from time to time of our plans, policies, research, and new developments by means of bulletins, brochures, reports, and at our option, by periodic visits of our field representatives (see Section 10 of the Franchise Agreement);

(5) Permit you to attend, at your cost and expense, any national or regional meetings sponsored by us for franchisees (see Section 10 of the Franchise Agreement);

(6) Conduct from time to time, at our sole discretion and expense, research and development into the areas of production and methods of operation, and make the results of this research and development available to you (see Section 10 of the Franchise Agreement);

(7) Provide creative advertising and promotional tools which may be developed from time to time by us through the Creative Funds to you or to the chairman of the local advertising group if one exists in your area (see Section 10 of the Franchise Agreement);

(8) Provide protection against trademark or service mark infringement as regards any of the Proprietary Marks, including the institution of a suit or complaint when we think it advisable (see Section 10 of the Franchise Agreement); and

(9) Indemnify you against any claims which may be asserted against you for service mark or trademark infringement in connection with any of the Proprietary Marks authorized by us for your use (see Section 10 of the Franchise Agreement).

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### Training:

Our initial training program consists of the following components:

(1) A 1-week franchise owner/operator training program we conduct at our headquarters in Midlothian, Illinois or another location we designate; and

(2) A 1-week center management training program we also conduct at our headquarters in Midlothian, Illinois or another location we designate; and

(3) A 1-week in-center "field" training program we or our designated representative conducts at a currently operating Center or Co-Brand Center.

The initial training program is conducted quarterly.

From time to time, we may require additional training programs that we think necessary. There are no limits on our right to require you to attend additional training programs during the term of the Franchise Agreement.

### FRANCHISE OWNER/OPERATOR TRAINING

<b>Consists of:</b>	Classroom instruction regarding business procedures, forms, labor guidelines, bookkeeping, other administrative functions and operational matters.
<b>Who Attends:</b>	Sole owner or one of the owners that will be in charge of operations must attend. If space permits and you request, up to 2 additional attendees may also attend at your option. We may limit access of an optional attendee to certain portions of our initial training program if he or she is not a co-owner.
<b>When:</b>	Before the opening of your Center or Co-Brand Center.
<b>Where:</b>	Midlothian, Illinois or at a location designated by us for classroom instruction.
<b>Duration:</b>	Approximately 1 week.
<b>Attendance:</b>	Mandatory.
<b>Completion:</b>	Must be completed to our satisfaction prior to the opening of your Center or Co-Brand Center. There is no set time after signing the Franchise Agreement or before opening by which you must complete franchise owner/operator training, as long as it is completed to our satisfaction prior to opening.
<b>Costs:</b>	You pay a training fee of \$5,000 to attend all components of our initial training program. Up to 2 additional attendees of your choosing may attend at no additional cost. You are also responsible for the payment of expenses for travel, transportation, lodging, meals and other living expenses that you or your attendees incur to attend and complete franchise owner/operator training.

<b>Special Information:</b>	If your Center or Co-Brand Center is not operational within 180 days after completion of the initial training program, the appropriate individual may be required to re-attend and complete portions of the training to our satisfaction.
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### IN-CENTER "FIELD" TRAINING

<b>Consists of:</b>	In-center "field" training.
<b>Who Attends:</b>	Sole owner or one of the owners that will be in charge of operations must attend.
<b>When:</b>	Before the opening of your Center or Co-Brand Center.
<b>Where:</b>	At an existing center location designated by us.
<b>Duration:</b>	Approximately 1 week.
<b>Attendance:</b>	Mandatory.
<b>Completion:</b>	Must be completed to our satisfaction prior to the opening of your Center or Co-Brand Center. There is no set time after signing the Franchise Agreement or before opening by which you must complete in-center "field" training, as long as it is completed to our satisfaction prior to opening.
<b>Costs:</b>	You pay a training fee of \$5,000 to attend all components of the initial training program. You are also responsible for the payment of expenses for travel, transportation, lodging, meals and other living expenses that you incur to attend and complete in-center "field" training.
<b>Special Information:</b>	If your Center or Co-Brand Center is not operational within 180 days after completion of the initial training program, the appropriate individual may be required to re-attend and complete portions of the training to our satisfaction.

### CENTER MANAGEMENT TRAINING

<b>Consists of:</b>	Classroom instruction regarding proper management procedure, telephone procedures and time management.
<b>Who Attends:</b>	Sole owner or one of the owners that will be in charge of operations must attend. Also, if you designate another individual who will manage the sales or production of your Center or Co-Brand Center or who will otherwise function as a manager, he or she must also attend. If space permits and you request, up to 2 additional attendees may also attend at your option. We may limit access of an additional attendee to certain portions of our initial training program if he or she is not a co-owner.
<b>When:</b>	A consecutive week before or after franchise owner/operator training. Any person whom you desire to appoint as a manager after the opening of your Center or Co-Brand Center must attend the next available center management training program after assuming duties as a manager.
<b>Where:</b>	Midlothian, Illinois or at another location designated by us.
<b>Duration:</b>	A period within our discretion (typically 1 week).
<b>Attendance:</b>	Mandatory. At your request, we may waive the required attendance of a manager if he or she has substantial prior experience within the system.
<b>Completion:</b>	Must be completed to our satisfaction prior to the opening of your Center or Co-Brand Center. There is no set time after signing the Franchise Agreement or before opening by which center management training must be completed, as long as it is completed to our satisfaction prior to opening. If you appoint a manager after your center opening, then he or she must attend and satisfactorily complete the next available center management training program.
<b>Costs:</b>	You pay a training fee of \$5,000 to attend all components of the initial training program. There is no additional cost for a manager to attend and up to 2 additional attendees may also attend at no additional cost. You are also responsible for the payment of expenses for travel, transportation, lodging, meals and other living expenses that you or your attendees incur to attend and complete center management training. If you replace a manager, we have the right to charge a fee for his or her attendance.
<b>Special Information:</b>	We may require you or your designated representative to attend and complete to our satisfaction, additional training at any time after your Center or Co-Brand Center has opened. There is no charge for additional training. You will be responsible for all costs incurred in attending additional training.

Training is conducted by:

(1) Barbara Moran-Goodrich - Ms. Moran-Goodrich has 28 years of experience in the automotive industry, and 23 years of management experience with Moran.

(2) Ron Frydrychowski - Mr. Frydrychowski has 28 years of experience in the automotive industry, and 19 years of management experience with Moran.

(3) Sam Battista - Mr. Battista has 30 years of experience in the automotive industry as a Manager and former owner of his own business, and 6 years of that is with Moran. Mr. Battista is highly experienced in the field and has also been trained in all aspects of automotive dealership and aftermarket operations by several automobile manufacturer brands.

(4) John Castillo - Mr. Castillo has 30 years of experience in the automotive industry having worked for Honda, Chrysler and several automotive repair shops. Eight years of Mr. Castillo's automotive industry experience is with Moran. Mr. Castillo is our automotive technical expert. He educates franchisees about our technical department, technical bulletins and other resources for technical information, our certification program and continuing technical education resources and programs.

(5) Mary Deppert - Ms. Deppert has 24 years of accounting experience, and one year of that is with Moran. Ms. Deppert provides franchisees with an overview of franchise business accounting matters including analysis of profit and loss statements, weekly sales reports, financial reports, accounts receivables, and the monitoring of central fleet jobs.

(6) Virginia Garcia - Ms. Garcia has 4 years of experience in information technology and systems administration, and 15 years of experience working in different capacities with Moran. Ms. Garcia provides franchisees with a general overview of our proprietary TPM PRO software. She also familiarizes franchisees with opening timelines and use of our F.A.C.T.S. (Franchisee Active Communication Tool and System) Intranet site for network communications with us and other franchisees.

(7) Marsha Ruske - Ms. Ruske has 20 years of experience in the marketing and advertising industry, and the last 6 years of that are with Moran. Ms. Ruske provides franchisees with an overview of the marketing strategy for the franchise business including, advertising options, available tools, public relations and center opening procedures.

(8) Roni Bava - Ms. Bava has 8 years of experience in the franchise industry and franchise compliance, and 3 years of that is with Moran. She is also a certified paralegal. Ms. Bava provides franchisees with an overview of franchisee compliance topics, including compliance with the franchise agreement, minimum insurance specifications, insurance certificates, business formation and assumed name filings.

(9) Donna Delso - Ms. Delso has 20 years of experience in human resources, and she joined Moran as our Office Manager in 2013. Ms. Delso provides franchisees with general information relating to staffing the franchise business, recruiting resources and other HR-related topics.

(10) Alicia Damitz - Ms. Damitz has 20 years of customer service experience, and 2 years with Moran. Ms. Damitz provides franchisees with an overview of Moran's customer relations services, procedures for inter-shop repairs, handling complaints and maintaining good customer service.

We will provide to you, on loan, one copy of the Manual and other supplementary materials. The Manual currently contains approximately 150 pages. The Manual is available for inspection at our offices prior to signing the Franchise Agreement. The following table identifies the subjects contained in the Manual and number of pages devoted to each subject:

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Manual Section	Pages
About this Manual	5
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Intra Center Warranty Program Procedures	11
Forms	3

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## **TRAINING PROGRAM**

### **FRANCHISEE & CENTER MANAGER TRAINING SCHOOL**

<b>Subject</b>	<b>Hours Of Classroom Training</b>	<b>Hours Of On- The-Job Training</b>	<b>Location</b>
Employment Safety Requirement Training OSHA/HAZCOM/Security	2	1	Midlothian, Illinois and a regional location we designate
Personnel Management Training Fair Employment Practices	2	1	Midlothian, Illinois and a regional location we designate
Computer Software Training	1	4	Midlothian, Illinois and a regional location we designate
Research and Development	2	0	Midlothian, Illinois
Automotive Service Standard Training	7	4	Midlothian, Illinois and a regional location we designate
Sales, Marketing and Lead Generation Training	36	20	Midlothian, Illinois and a regional location we designate
Business Systems Training	24	3	Midlothian, Illinois
Communications Training	2	0	Midlothian, Illinois
Accounting	2	0	Midlothian, Illinois

TOTAL TRAINING: 78 classroom hours; 33 on-the-job hours.

#### **Advertising:**

Our in-house marketing department provides marketing assistance with ideas and concepts. We do not engage in a national advertising program, but we work with national and local agencies in negotiating preferred vendor pricing for the benefit of our franchisees. You must join and contribute to a local advertising cooperative which advertises your services in your designated marketing area. This cooperative will establish its own local advertising program

and method of implementation with direction from us. In Section 19 of the Franchise Agreement and Section 6 of the Co-Branding Franchise Addendum, we reserve the right to set weekly allocations for any participating franchisee at up to \$500 per week or 7% of the weekly average Gross Sales per week of the participating Center or Co-Brand Center (whichever is greater). This average is to be determined by the average weekly Gross Sales of the highest quarterly average of that Center or Co-Brand Center from the previous year. The local advertising co-op agreement is included as Exhibit K to this franchise disclosure document. Cooperatives are not required to operate from written governing documents. No financial statements are required to be submitted to us relative to the advertising cooperative association. Single point markets are responsible for their own advertising program and method of implementation with direction from us.

We allow our franchisees to use their own advertising materials, but any and all advertising materials must be approved in writing by us prior to use. Approved materials may be disseminated in the form of radio, television, print, or through the Internet. We do not provide any media coverage at either the local, regional or national level.

You may establish a website to advertise your Center or Co-Brand Center as long as you use our approved suppliers to register the domain name and develop the website, we have approved the content and domain name in advance and the site is linked to our home page. We have the right to monitor and regulate the establishment and use of our franchisees' linked home pages or other electronic communications using the Proprietary Marks.

We have developed and maintain the Moran Creative Fund and the Milex Creative Fund for the creative design of marketing and advertising materials and concepts to be used by franchisees on a local level. The Moran Creative Fund and Milex Creative Fund are funded through contributions from our franchisees. If you are establishing a Center, you will make monthly contributions equal to 1% of your Gross Sales or \$100, whichever is greater to the Moran Creative Fund. If you are establishing a Co-Brand Center you will make monthly contributions of 1% of your Gross Sales or \$200, whichever is greater and 50% of your contribution will be allocated to the Moran Creative Fund and 50% of your contribution will be allocated to the Milex Creative Fund. We often consult an advisory alliance comprised of franchisees before any funds are spent. To date, monies spent from the Creative Funds have been spent on creative design, artwork development, production and promotional items. No monies are spent from the Creative Funds on placement of advertising. We use a portion of these monies to offset expenses in the administration of the Creative Funds or in the in-house preparation of marketing and advertising materials. An accounting of the Creative Funds is made available to the franchisee advisory alliance (the "FAA").

In the fiscal year ended December 31, 2013, 84% of the Creative Funds were spent on creative design and development of websites, content, marketing materials, programs and all other advertising and promotional tools and 10% were spent on general and administrative expenses. None of the funds (0%) were used for advertising to solicit sales of our franchises.

You may obtain an accounting of expenditures of the Creative Funds by contacting our Accounting Department and requesting an accounting. The balance of advertising funds not spent in the fiscal year in which they accrue will roll over into the next fiscal year. Shared approval by us and the FAA will be required if the Creative Funds or any other advertising cooperatives are changed, dissolved or merged. The FAA does not have authority or shared approval on how Creative Funds are disbursed or the content of the material developed.

Our direction, monitoring and regulation with regard to any advertising program or website and any approval of advertising materials is not a guarantee or warranty in any way that the advertising program, website or materials comply with law. Our direction, monitoring, regulation and approval are for the purpose of protecting the Proprietary Marks and maintaining brand uniformity and consistency. You are solely responsible for determining if any advertising program, website and advertising material comply with consumer advertising laws and regulations which are applicable to the Center or Co-Brand Center. You receive an automatic variance from our advertising standards, requirements or specifications whenever the variance is necessary to comply with any consumer advertising law or regulation.

#### Franchisee Advisory Alliance:

We have established a franchisee advisory council, named the Franchisee Advisory Alliance ("FAA"). We established the FAA in 2000. The FAA is not organized under the laws of any state. It is comprised of qualified franchisees and serves in an advisory capacity. The FAA has no specific operational or decision-making power, but we do give significant weight to input from the FAA in the formation of new system policies, procedures and advertising programs. The current FAA members were selected in a combination of elections by the franchisees.

#### Computer and Cash Register Requirements:

You must purchase and use any hardware and software programs we designate. Presently, to operate a Center, you must purchase the following hardware and software:

<b>Hardware</b>	
HP Compaq 4000 Pro Small Form Factor PC	
- <u>Operating System</u> : Intel® Core™ 2 Duo Processor E7600 (3.06 GHz, 3 MB L2 cache, 1066 MHz FSB)	
- <u>Memory</u> : 4GB 1333 MHz DDR3 non-ECC Unbuffered SDRAM	
- <u>Internal Drive</u> : 500 GB 7200 rpm SATA 3.0 Gb/s NCQ, Smart IV	
- <u>Optical Drive</u> : SATA SuperMulti LightScribe DVD writer	
- <u>Ports</u> : 8 USB 2.0, 1 serial	
HP Compaq LE1711 17-inch LCD Monitor	
HP USB Mouse/Keyboard/Mouse Pad Kit	
Lexmark Platinum Pro905 Printer	
APC Backup	
<b>Software</b>	
Genuine Windows® 7 Professional 32 or 64-bit (preinstalled on PC)	
Microsoft Office Home and Business 2010 or newer (Includes Word, Excel, PowerPoint, One Note and Outlook)	
QuickBooks Professional	
Webroot Internet Security Complete Antivirus Software (or equivalent program)	
TPM PRO® Software	
Filemaker Pro II Software	
<b>Subscriptions/Accounts</b>	



POP3 Email Server Account
Automotive Manufacturers Information Database (AllData is recommended)
<b>Additional Recommended Hardware and Software</b>
Linksys E1500 Wireless-N Router with Speedboost
Adobe Acrobat X and Reader (or equivalent program)

To operate a Co-Brand Center, you need 2 computer systems and must purchase the following additional hardware and software:

<b>Hardware</b>
HP Compaq 4000 Pro Small Form Factor PC
- <u>Operating System</u> : Intel® Core™ 2 Duo Processor E7600 (3.06 GHz, 3 MB L2 cache, 1066 MHz FSB)
- <u>Memory</u> : 4GB 1333 MHz DDR3 non-ECC Unbuffered SDRAM
- <u>Internal Drive</u> : 500 GB 7200 rpm SATA 3.0 Gb/s NCQ, Smart IV
- <u>Optical Drive</u> : SATA SuperMulti LightScribe DVD writer
- <u>Ports</u> : 8 USB 2.0, 1 serial
HP Compaq LE1711 17-inch LCD Monitor
HP USB Mouse/Keyboard/Mouse Pad Kit
Linksys LRT214 Router for Networking
<b>Software</b>
Genuine Windows® 7 Professional 32 or 64-bit (preinstalled on PC)
Microsoft Office Home and Business 2010 or newer (Includes Word, Excel, PowerPoint, One Note and Outlook)
Webroot Internet Security Complete Antivirus Software (or equivalent program)
TPM PRO® Software
Filemaker Pro II Software

You will use your computer system(s) with the above components as a sales and business management system, for the storage of customer, sales and other financial data. Your computer system(s) will enable you to generate electronic sales and other required reports and repair orders that may be transmitted electronically to us. The approximate cost of the computer hardware and software is \$5,459 to \$6,659 for Centers, and \$6,559 to \$7,759 for Co-Brand Centers. This cost is included in the categories of "Computer Software and Hardware System(s)" and "TPM PRO Software License(s) and Initial Set-up Fee" in Your Estimated Initial Investment chart.

You are required to maintain a subscription to our proprietary TPM PRO software program. As part of your subscription, we provide you with required software maintenance, updates and technical support. The annual cost to subscribe to TPM PRO is currently \$900. You pay this amount to us in monthly fees of \$75 per month.

You are required to maintain a POP3 email server account that is configured into Outlook. The annual cost for a POP3 email server account is \$20.

You must also maintain a subscription to an Automotive Manufacturers Information Database. There are several available via the Internet. We recommend that you subscribe to AllData. The annual cost to subscribe to AllData is currently \$1,620. AllData subscription fees are currently paid in monthly payments of \$135 per month. AllData's fees include database maintenance, updates and technical support for database usage.

We may have independent access to information stored on your computer system. We may require you to purchase, lease and/or license new or modified computer hardware and/or software at your cost. There are no limits on our right to require you to conform to new specifications.

#### Site Selection and Opening:

Upon receiving the initial franchise fee, we will provide you with a site selection manual outlining the specifications of a build-to-suit location or of a retrofit of an existing building. Included will be a step-by-step selection process you will follow under our monitoring and direction. Those steps include locating competition and other automotive related centers, making telephone inquiries of possible sites and submitting the necessary information to us for approval. While we will not unreasonably withhold our approval of a site, if we cannot agree with you on a site, you may forfeit your initial franchise fee.

You must obtain our written approval of any site selected by you in the designated marketing area for operation of the Center or Co-Brand Center. Approval must be obtained and operations must commence within 1 year from the date of the Franchise Agreement. We may, at our sole option, extend the time period for such approval. We may terminate the Franchise Agreement at our option if you have not obtained an exact location approved in writing by us and operations have not commenced within this 1-year period unless the period is extended by us.

If an exact location for your Center or Co-Brand Center is designated in the Franchise Agreement, you must commence operations within 120 days of the date you sign the Franchise Agreement. Our approval or disapproval of a site does not affect your obligations to timely commence operations.

If you are a conversion franchisee, you are already approved to convert your current business location to a Center or Co-Brand Center when you sign the Franchise Agreement. Your current business location will be designated in the Franchise Agreement. We will provide you with our specifications for your conversion of your location to a Center or Co-Brand Center. You must begin operations of the Center or Co-Brand Center within 60 days of the date you sign the Franchise Agreement.

We will not unreasonably withhold approval of your selected site. Factors we consider include, without limitation, number of registered vehicles, population, proximity to other Centers or Co-Brand Centers, and the physical characteristics of the proposed premises.

**B. For Area Developers:**

**Except as listed below and in the preceding part of this Item 11, we are not required to provide you with any assistance.**

Before you begin your duties as an area developer, we will:

- (1) Designate your territory. (Section 1 of the Area Developer Agreement);
- (2) Provide a special training program that covers franchise sales, real estate, franchisee training school (see above) and franchisee shadow training. (Section 4 of the Area Developer Agreement); and
- (3) Furnish you with a copy of our current franchise disclosure document and certain promotional items. (Section 4 of the Area Developer Agreement).

During the on-going performance of your duties as an area developer, we will:

- (1) Upon request, review your operation and techniques in the area of franchise sales and support services, and may suggest methods of improvement. (Section 4 of the Area Developer Agreement); and
- (2) Prepare and keep current the necessary franchise disclosure document relative to the offer and sale of Centers or Co-Brand Centers within your designated territory. We will also take the necessary steps to file or register our Franchise disclosure document in those individual states that require registration. You shall be responsible for completing and keeping current any other forms (such as salesperson disclosure forms) required for such registration. (Section 4 of the Area Developer Agreement).

**ITEM 12      TERRITORY**

**For Franchisees:**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. You will receive the right to operate a Center or Co-Brand Center at the specified location granted in the Franchise Agreement. We will not allow another Center or Co-Brand Center to be opened within a 3-mile radius of your Center or Co-Brand Center. The continuation of your territorial right does not depend upon achieving a certain sales volume, market penetration or other contingency. There are no minimum sales quotas that you must meet. As long as the Franchise Agreement is in effect, there are no circumstances under which your territory or rights to your territory will be altered. If we plan to allow another Center or Co-Brand Center to be opened within the same city of your Center or Co-Brand Center, we will notify you and permit you to apply, along with others for the additional franchise. You do not receive an exclusive option, right of first refusal or similar rights to acquire additional franchises, but you may apply for the right to acquire additional franchises. You must meet our

qualifications for new franchisees and pay a franchise fee to qualify for an additional franchise location. We reserve the right to convert any existing automotive repair facility to a Center or Co-Brand Center regardless of whether or not the facility is located in the same city as your Center or Co-Brand Center. A current list of all locations is included in this franchise disclosure document as Exhibit S.

We will usually approve the relocation of an established Center or Co-Brand Center as long as the franchisee has a legitimate business reason for the relocation (such as loss of lease by sale or condemnation, or change in area demographics), the relocated Center or Co-Brand Center will not compete directly with another franchisee, and demographic studies indicate that the Center or Co-Brand Center, in its new location, is likely to be economically viable for the relocating franchisee.

We reserve the right to establish other franchises or company-owned or operated outlets in your territory which sell similar products or services to those that you sell under a different trade name or trademark. We reserve the right to use other channels of distribution, such as the Internet, catalog sales, or other direct marketing, to make sales within your territory using our Proprietary Marks or using a different trade name or trademark. We are not obligated to pay you any compensation for soliciting or accepting orders inside your territory.

You are not restricted from soliciting or selling products and services to customers residing outside your territory, except that you may not directly market to or solicit customers, under any channel of distribution, (such as the Internet, catalog sales, telemarketing, or other direct marketing) if the customers reside within another franchisee's territory. Unless you are advertising cooperatively with another franchisee, you may not advertise in any media primarily circulated within another franchisee's territory.

We require our franchisees to review, sign and abide by the terms of the Franchisee Business Code of Ethics (the "Code") restricting active solicitation of retail, wholesale, and fleet accounts inside another franchisee's territory. You will be required to adhere to the terms of the Code including all provisions relating to channels of distribution, Internet sales, catalog sales, telemarketing, or other direct marketing outside of your territory. Retail accounts are entitled to and may retain the services of franchisees outside of the territory. We reserve the right to review violations of franchisees and issue a determination of sanctions on a case-by-case basis.

#### For Area Developers:

We will grant you a territory based on market penetration and demographics analysis of the market and the number of Centers or Co-Brand Centers the market you commit to develop under the Area Developer Agreement can support. You may develop additional Centers or Co-Brand Centers yourself or act as an area representative to develop Centers or Co-Brand Centers in your territory. You may be granted exclusive rights to your territory. If you are granted an exclusive territory, we will not open franchisor-owned Centers or Co-Brand Centers in your territory unless you are in default of your Area Developer Agreement. In order to maintain your territory, you must adhere to the development schedule described in Section 3 of the Area Developer Agreement. Your territory can be altered if you do not adhere to the development schedule described in Section 3 of the Area Developer Agreement or if you are in default of the Area Developer Agreement or any Franchise Agreement. You must open each Center or Co-Brand Center within the timeframe provided by the applicable Franchise Agreement.

### **ITEM 13**      **TRADEMARKS**

We grant you the right to operate your Center or Co-Brand Center under our Proprietary Marks. You may also be required to use certain future trademarks that we will authorize. By trademarks, we mean trade names, trademarks, service marks and logotypes used to identify your Center or Co-Brand Center. The following trademarks have been registered with the United States Patent and Trademark Office and Texas, as noted:

<b>Registration Number</b>	<b>Date Issued</b>	<b>Mark</b>
USPTO #0905688	January 5, 1971	"Blockhead" design
USPTO #0917866	August 3, 1971	"Mr. Transmission"
USPTO #1857236	October 4, 1994	"Mr. T"
USPTO #2726414	June 17, 2003	"Mr. Transmission The Professionals" and design
USPTO #2829274	April 6, 2004	"Mr. Transmission The Professionals" and design
USPTO #1602864	June 19, 1990	"Milex"
USPTO #1610120	August 14, 1990	"Milex Tune-Up Brakes" and design
USPTO #3342125	November 20, 2007	"Milex Complete Auto Care" and design
USPTO #3242473	May 15, 2007	"Milex Auto Care Center" and design
USPTO #3470909	July 22, 2008	"Milex Complete Auto Care Powered By Mr. Transmission The Professionals" and design
USPTO #1571296	December 12, 1989	"Multistate Transmissions"
USPTO #2294473	November 23, 1999	"Multistate Transmissions" and design
USPTO #4270809	January 8, 2013	"We Keep Your Car Road Ready" and design
Texas #TX 49604	September 1, 1999	"Multistate Transmissions"

We are the exclusive owner of the Proprietary Marks. In addition, we have established certain common law rights to the Proprietary Marks acquired by virtue of their continuous, exclusive and extensive use and advertising. We have filed all required affidavits. The Proprietary Marks have been renewed and are valid, incontestable and extant.

You are required to use the Proprietary Marks in full compliance with provisions of the Franchise Agreement and in accordance with the rules we prescribe from time to time. All of the rights and privileges granted to you in the Franchise Agreement are for your use only at the location described in Section 1 of the Franchise Agreement and nowhere else, and you are not permitted (either during the term of the Franchise Agreement or after its expiration or termination) to use or attempt to use the Proprietary Marks or any variation thereof or any other trade name, trademark or service mark of ours in any manner whatsoever except in connection with the operation of your Center or Co-Brand Center under the Franchise Agreement. You are prohibited from using any of the Proprietary Marks as a part of any corporate name with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you by us). You may not use the Proprietary Marks in connection with the sale of any unauthorized product or service or in any manner not explicitly authorized in writing by us.

There is presently no effective determination of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court regarding the Proprietary Marks; nor is there any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Proprietary Marks or any of our trade names, logotypes, or our other commercial symbols. There are no agreements currently in effect that

significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to you.

In the event of any infringement of, or challenge to, your use of any of the Proprietary Marks, you must immediately notify us and we will have sole discretion to take any action we think appropriate in order to preserve and protect the ownership, identity and validity of the Proprietary Marks; provided, however, that we will defend and hold you harmless against all claims which may be asserted for service mark or trademark infringements of any of the Proprietary Marks. If it becomes advisable at any time in our sole discretion to modify or discontinue the use of any of the Proprietary Marks, you will be responsible for the tangible associated costs (such as replacing signs and materials).

You may not contest, directly or indirectly, our ownership, title, right or interest in the Proprietary Marks, trade secrets, methods, procedures and advertising techniques which are part of the System or contest our right to register, use or license others to use any Proprietary Marks, trade secrets, methods, procedures or techniques.

There are no infringing uses actually known to us that could materially affect your use of the Proprietary Marks in this state or any state in which a Center or Co-Brand Center is to be located.

All materials using the Proprietary Marks must be purchased from us or approved by us. You may not register a domain name or establish a website using the Proprietary Marks without our prior approval.

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

We do not claim rights in any patents that are material to our business. We claim copyrights in our Manual, our technical bulletins, "Winners Circle" newsletter, books and booklets, business and financial forms, and the marketing materials you will be licensed to use. We also claim proprietary rights to the confidential information contained in our Manual and other operational materials, and on any other proprietary materials specifically created by us in connection with the System, including proprietary advertisements, printed materials and forms used in connection with the operation of your Center or Co-Brand Center. The Manual and other proprietary materials have been registered with the Library of Congress. You must promptly inform us when you learn about unauthorized use of this proprietary information. We are not obligated to take any action but will respond to this information, as we think appropriate. We will not indemnify you for claims brought by a third party concerning your use of this information.

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

You must operate, supervise and manage the day-to-day operations of your Center or Co-Brand Center on a full-time basis. If you co-own your Center or Co-Brand Center with other owners, then you must designate an owner who owns at least a 1/3 share of the Center or Co-Brand Center and the designated owner must be primarily responsible for the supervision and management of the day-to-day operations on a full time basis. You may appoint other individuals to manage sales or production or otherwise function as managers for your Center or Co-Brand Center. Any managers you appoint must attend the center management portion of

our training program. Your manager(s) must sign a written agreement to maintain the confidentiality of the trade secrets described above in Item 14 and to conform with the covenants not to compete described below in Item 17. Your appointment of a manager does not satisfy the requirement that you personally provide on-site supervision and management of your Center or Co-Brand Center on a full-time basis.

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

The Franchise Agreement provides that you must offer, and may only offer, the services that we authorize in the Manual or otherwise in writing. You are prohibited from offering or selling services not authorized by us. We reserve the unlimited right to change the types of authorized products and services within the scope of the transmission repair and related services business.

You are prohibited from soliciting other franchisees either directly or indirectly for any other business or investment activity. There are no limitations imposed by us on the persons or businesses to whom you may provide services, except those imposed by the nature of the System itself or by law.

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**ITEM 17      RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION****For Franchisees:**

This table lists certain important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution, you should read these provisions in the agreements attached to this franchise disclosure document.

**THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
a. Length of the franchise term	Section 3 of Franchise Agreement	Term is equal to 20 years
b. Renewal or extension of term	Section 3 of Franchise Agreement	If you are in good standing you can renew for an additional 20-year term
c. Requirements for franchisee to renew or extend	Section 3 of Franchise Agreement	Compliance with Franchise Agreement; sign then current form of the Franchise Agreement, which may include materially different terms and conditions from the original contract; pay current renewal fee to us; remain in compliance; and retrain at our option
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 26 of Franchise Agreement	We can terminate only if you fail to cure defaults
g. "Cause" defined - curable defaults	Section 26 of Franchise Agreement	You have 10 days to cure for nonpayment; 30 days to cure for non-submission of reports and other non-monetary defaults not listed in Section 26
h. "Cause" defined - non-curable defaults	Section 26 of Franchise Agreement	Non-curable defaults: repeated defaults even if cured; abandonment; trademark misuse; and unapproved transfers



<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
i. Franchisee's obligations on termination/non-renewal	Section 27 of Franchise Agreement Section 12 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	Obligations include complete de-identification; payment of amounts due; and compliance with post-termination provisions (also see r below)
j. Assignment of contract by franchisor	Section 24 of Franchise Agreement	No restriction on our right to assign
k. "Transfer" by franchisee – defined	Section 23 of Franchise Agreement	Includes transfer of agreement or assets or ownership change
l. Franchisor's approval of transfer by franchisee	Section 23 of Franchise Agreement Section 9 of Co-Branding Franchise Addendum	We have the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for franchisor approval of transfer	Section 23 of Franchise Agreement Section 9 of Co-Branding Franchise Addendum	New franchisee approved by us; selling franchisee current on all monies owed under the Franchise Agreement; transfer fee paid; purchase agreement approved; training arranged; release signed by you; and purchaser signs the then current form of the Franchise Agreement (also see r below)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 23 of Franchise Agreement Section 9 of Co-Branding Franchise Addendum	We can match any offer for the purchase of franchisee's business
o. Franchisor's option to purchase franchisee's business	Section 28	Except as described in (n) above, we do not have the right to purchase franchisee's business; however, during the 30-day period after termination or expiration of the Franchise Agreement, we have the right to purchase inventory at franchisee's cost, and any other assets of franchisee's business for fair market value

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
p. Death or disability of franchisee	Section 23 of Franchise Agreement Section 9 of Co-Branding Franchise Addendum	Estate may operate or franchise may be assigned by estate to approved buyer
q. Non-competition covenants during the term of the franchise	Section 25 of Franchise Agreement Section 10 of Co-Branding Franchise Addendum Section 2 of Conversion Franchise Addendum	No competing business
r. Non-competition covenants after the franchise is terminated or expires	Section 25 of Franchise Agreement Section 10 of Co-Branding Franchise Addendum Section 2 Conversion Franchise Addendum	Except for conversion franchisees, no competing business for 2 years within 25 miles of the Center or Co-Brand Center or of another Center or Co-Brand Center (also applies after transfer or assignment). Conversion franchisees may offer and sell any products and services that were sold in their independent transmission service center prior to conversion to a Center or Co-Brand Center.
s. Modification of the agreement	Section 46 of Franchise Agreement	No modifications but Manual subject to change
t. Integration/merger clause	Section 46 of Franchise Agreement Section 14 of Co-Branding Franchise Addendum	Only the terms of the Franchise Agreement are binding (subject to state law); Any representations or promises outside the disclosure document and Franchise Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	None	All disputes must be litigated
v. Choice of forum	Section 38 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Litigation must be in Cook County, Illinois
w. Choice of law	Section 38 of Franchise Agreement Section 13 of Co-Branding Franchise Addendum	Illinois law applies

**For Area Developers:**

This table lists certain important provisions of the Area Developer Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution, you should read these provisions in the agreements attached to this franchise disclosure document.

**THE AREA DEVELOPMENT RELATIONSHIP**

<b>Provision</b>	<b>Section in Area Developer Agreement</b>	<b>Summary</b>
a. Length of the area developer term	Section 1	Term is equal to 5 years
b. Renewal or extension of the term	Section 1	If you are in good standing renewal for 2 consecutive additional 5-year terms
c. Requirements for area developer to renew or extend	Section 1	Give notice; sign current form of Area Developer Agreement; execute general release
d. Termination by area developer	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	Section 11	We can terminate only if area developer defaults
g. "Cause" defined – curable defaults	Section 11	You have 9 months to cure a failure to comply with development schedule; 180 days to cure a failure to provide franchisee support, as well as those events of default set forth in any Franchise Agreement
h. "Cause" defined - non-curable defaults	Section 11	Non-curable defaults include your bankruptcy or insolvency; failure to comply with transfer provisions; and those events of default set forth in any Franchise Agreement
i. Area developer's obligations on termination/nonrenewal	Section 13	Obligations include complete de-identification and transfer of telephone numbers (also see r below)
j. Assignment of contract by franchisor	Section 12	No restriction on our right to assign

<b>Provision</b>	<b>Section in Area Developer Agreement</b>	<b>Summary</b>
k. "Transfer" by area developer	Section 12	Includes transfer of Area Developer Agreement, rights or assets or ownership change
l. Franchisor's approval of transfer by area developer	Section 12	We have the right to approve all transfers but will not unreasonably withhold approval
m. Conditions for franchisor approval of transfer	Section 12	New area developer qualifies; completion of training; transfer fee paid; your execution of a general release; new area developer executes then current form of Area Developer Agreement
n. Franchisor's right of first refusal to acquire area developer's business	Section 12	We can match any offer for your business
o. Franchisor's option to purchase area developer's business	Not applicable	Not applicable
p. Death or disability of area developer	Section 12	Estate may operate or Area Developer Agreement may be assigned by estate to approved buyer
q. Non-competition covenants during the term of the franchise	Section 13	No competing business
r. Non-competition covenants after the franchise is terminated or expires	Section 13	No competing business for 2 years within the territory or within 25 miles of the territory (also applies after transfer or assignment)
s. Modification of the agreement	Sections 14 and 22	Modifications must be in writing and signed by both you and us; we reserve the right to change our specifications, procedures, standards, policies or Manual
t. Integration/merger clause	Section 22	Only the terms of the Area Developer Agreement are binding (subject to state law); Any representations or promises outside the disclosure document and Area Developer Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Not Applicable	All disputes must be litigated

Provision	Section in Area Developer Agreement	Summary
v. Choice of forum	Section 16	Litigation must be in Cook County, Illinois
w. Choice of law	Section 16	Illinois law applies

**ITEM 18**      **PUBLIC FIGURES**

We do not use any public figure to promote our Centers or Co-Brand Centers.

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## **ITEM 19**      **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about 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 franchise disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance of a particular unit or within a particular territory, or under particular circumstances.

Financial performance of the franchise you will operate under the Franchise Agreement will be affected by many factors, including your skills and efforts as well as your employees' skills and efforts. In addition, your franchise's performance will be affected by many factors outside of your control, including weather conditions in your market, local economic conditions, and competition from other comparable retail outlets. **A new franchisee's individual financial results may differ from the result stated in the financial performance representation.** Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request, provided that we will not disclose data that identifies specific locations. Our sales representatives are prohibited from providing you with any further information about actual, average or potential sales or operating expenses, income, profits or earnings and are prohibited from commenting on the likelihood of success of any franchise or the business potential of any territory. Any such unauthorized information is inherently unreliable, and you should not rely on it.

Financial performance of the unit you will operate under the Franchise Agreement will be affected by many factors, including your skills and efforts as well as your employees' skills and efforts. In addition, your Single Brand Center's or Co-Brand Center's performance will be affected by many factors outside of your control, including but not limited to the following:

- Economic conditions in general and in local market specifically;
- Weather conditions in your local market;
- Competition from comparable retail outlets;
- Varying costs of real estate purchase, construction and leasing;
- Property and sales taxes;
- State laws concerning employee costs;
- Whether or not you are able to participate in cooperative advertising with other franchisees in your market;
- Traffic patterns;
- Quality and effectiveness of your managers and staff; and
- Number of service bays in your Center or Co-Brand Center.

### **SINGLE BRAND CENTERS**

The financial performance representation information in this Item 19 includes certain financial performance information relating to our Single Brand Centers operation of their respective Single Brand Center as of December 31, 2013. We make two (2) different financial

performance representations in this Item 19. We disclose: (i) the average gross sales in 2013 of Single Brand Centers that were open by the same franchisee for one year or more as of December 31, 2013 segmented into quartiles, and (ii) the average gross profit margin for participating Single Brand Centers in 2013 that were open by the same franchisee one year or more as of December 31, 2013.

We obtained approximately 93% of the average gross sales data for the Single Brand Centers listed in the Table 1 from weekly sales reports prepared and submitted to Moran by franchisees owning a Single Brand Center; and, approximately 7% of the average gross sales data was compiled from the data contained in other written sales reports submitted to Moran or sales reports verbally communicated to Moran by franchisees owning a Single Brand Center. We obtained the expense and sales information for the Single Brand Centers listed in Table 2 from profit and loss statements for the calendar year 2013 submitted to us by participating Single Brand Centers. The weekly sales reports and the profit and loss statements have not been audited by certified public accountants nor have we sought to independently verify their accuracy for purposes of this financial performance representation. Not all Single Brand Centers supplied us with their profit and loss statements.

**Single Brand Centers  
Calendar Year 2013  
Sales Table 1**

Sales Quartiles	Number of Centers	Average Sales	Centers over Average	% Over
Quartile 1	6	\$1,400,710.31	1	17%
Quartile 2	9	\$ 747,208.87	5	56%
Quartile 3	28	\$ 450,118.76	12	43%
Quartile 4	29	\$ 235,986.95	13	45%
Total Single Brand Center Average Sales	72	\$ 480,223.45	25	35%

**Range of Gross Sales by Quartile  
Sales Table 1-A**

Sales Quartiles	Range of Gross Sales
Quartile 1	\$1,000,000.00 and above
Quartile 2	\$600,000.00 to \$999,999.00
Quartile 3	\$350,000.00 to \$599,999.00
Quartile 4	\$349,999.00 and below

For purposes of the financial performance representation we have divided the gross sales for Single Brand Centers into 4 quartiles based on their gross revenues for the calendar year 2013. "Quartile" refers to the relative performance of the Single Brand Centers. The 4 quartiles were

developed by determining the average gross revenue of all the Single Brand Centers. Specifically, "Quartile 1" refers to Single Brand Centers that have achieved gross sales ranging from \$1,000,000.00 and above, "Quartile 2" refers to the next highest level of performing Single Brand Centers that have achieved gross sales ranging from \$600,000.00 to \$999,999.00, "Quartile 3" refers to the next highest level of performing Single Brand Centers that have achieved gross sales ranging from \$350,000.00 to \$599,999.00, and "Quartile 4" refers to the bottom level of performing Single Brand Centers that have gross sales ranging from \$349,999.00 and below.

In Table 2 below, you will find disclosures of Average Gross Revenue, Average Cost of Goods and Average Gross Profit Margin. The Average Gross Revenue disclosures and Average Cost of Goods disclosures made in Table 2 of this financial performance representation are based upon profit and loss statements submitted by 25 Single Brand Centers operating for one year or more as of December 31, 2013.

The expenses listed in the chart below are based on profit and loss statements provided by participating single brand centers and you should not consider these as the actual or potential operating expenses that will be realized by you or any other franchisee. These expenses are from single brand centers only. The results for a center that is yet to reach maturity (a new center) are likely to differ from those contained in the following chart.

**Single Brand Centers  
Calendar Year 2013  
GPM Table 2**

Single Brand Transmission	# of Centers	Years Open	Average Gross Revenue	Average Cost Of Goods	COG %	Average Gross Profit Margin	GPM%
Quartile 1	3	25.33	\$1,595,596.99	\$850,885.82	53%	\$744,711.17	47%
Quartile 2	6	18	\$ 732,660.03	\$374,238.63	51%	\$358,421.41	49%
Quartile 3	13	15.31	\$ 454,401.84	\$243,078.19	53%	\$211,323.65	47%
Quartile 4	3	21.67	\$ 364,623.07	\$195,946.42	54%	\$168,676.66	46%
Total Average (All Quartiles)	25	15.72	\$ 635,439.52	\$336,795.76	53%	\$298,643.76	47%

For purposes of the financial performance representation we have divided the participating Single Brand Centers into 4 quartiles based on their gross revenues for the calendar year 2013. "Quartile" refers to the relative performance of the Single Brand Centers. The 4 quartiles were developed by determining the average gross revenue of all the Single Brand Centers. Specifically, "Quartile 1" refers to Single Brand Centers that have achieved gross sales ranging from \$1,000,000.00 and above, "Quartile 2" refers to the next highest level of performing Single Brand Centers that have achieved gross sales ranging from \$600,000.00 to \$999,999.00, "Quartile 3" refers to the next highest level of performing Single Brand Centers that have achieved gross sales ranging from \$350,000.00 to \$599,999.00, and "Quartile 4" refers to the bottom level of performing Single Brand Centers that have gross sales range from \$349,999.00 and below.

On average, the Single Brand Centers in the "Quartile 1" have been operating for 25.33 years, "Quartile 2" Centers have operated 18 years, "Quartile 3" Centers have operated 15.31 years, and "Quartile 4" Centers have operated 21.67 years.



The highest revenue obtained in “Quartile 1” was \$2,274,102.49 and the lowest revenue obtained was \$1,127,924.48. A total of 1, or 33% of the “Quartile 1” Single Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in “Quartile 2” was \$971,032.33 and the lowest revenue obtained was \$613,700.52. A total of 3, or 50% of “Quartile 2” Single Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in “Quartile 3” was \$565,088.27 and the lowest revenue obtained was \$369,214.84. A total of 5, or 38% of “Quartile 3” Single Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in “Quartile 4” was \$348,632.00 and the lowest revenue obtained was \$118,381.00. A total of 2, or 67% of “Quartile 4” Single Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

There were 72 “Single Brand Centers” located in the United States open for 1 year or more. “Single Brand Centers” refers to substantially similar transmission service center outlets, including Mr. Transmission service centers, Multistate Transmissions service centers, and Dr. Nick’s Transmissions service centers. We grant franchises for the operation of transmission service centers under the trade name “Dr. Nick’s Transmissions” under a separate disclosure document.

Please note that the statements of Average Gross Profit Margin equal Average Gross Revenue minus Average Cost of Goods. The Cost of Goods for our franchisees is comprised of (1) parts, (2) fluids, and (3) technician labor. All other expenses, including, but not limited to, rent, royalty fees, advertising, taxes, start-up costs and insurance will impact your operating profit and are not included in the Average Cost of Goods figures.

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## CO-BRAND CENTERS

The financial performance representation information in this Item 19 includes certain financial performance information relating to our Co-Brand Centers operation of their respective Co-Brand Center as of December 31, 2013. We make two (2) different financial performance representations in this Item 19. We disclose: (i) the average gross sales in 2013 of Co-Brand Centers that were open by the same franchisee for one year or more as of December 31, 2013 segmented into quartiles, (ii) the average gross profit margin for participating Co-Brand Centers in 2013 that were open by the same franchisee one year or more as of December 31, 2013.

We obtained approximately 95% of the average gross sales data for the Co-Brand Centers listed in the Table 1 from weekly sales reports prepared and submitted to Moran by franchisees owning a Co-Brand Center; and, approximately 5% of the average gross sales data was compiled from the data contained in other written sales reports submitted to Moran or sales reports verbally communicated to Moran by franchisees owning a Co-Brand Center. We obtained the expense and sales information for the Co-Brand Centers listed in Table 2 from profit and loss statements for the calendar year 2013 submitted to us by participating Co-Brand Centers. The weekly sales reports and the profit and loss statements have not been audited by certified public accountants nor have we sought to independently verify their accuracy for purposes of this financial performance representation. Not all Co-Brand Centers supplied us with their profit and loss statements.

**Co-Brand Centers  
Calendar Year 2013  
Sales Table 1**

Sales Quartiles	Number of Centers	Average Sales	Centers over Average	% Over
Quartile 1	4	\$761,738.60	2	50%
Quartile 2	4	\$583,909.56	2	50%
Quartile 3	5	\$410,612.22	2	40%
Quartile 4	9	\$270,306.12	5	67%
Total Co-Brand Center Averages	22	\$448,564.04	11	50%

**Range of Gross Sales by Quartile  
Sales Table 1-A**

Sales Quartiles	Range of Gross Sales
Quartile 1	\$700,000.00 and up
Quartile 2	\$500,000.00 to \$699,999.00
Quartile 3	\$350,000.00 to \$499,999.00
Quartile 4	\$349,999.00 and below

For purposes of the financial performance representation we have divided the participating Co-Brand Centers into 4 quartiles based on their gross revenues for the calendar year 2013.

“Quartile” refers to the relative performance of the Co-Brand Centers. The 4 quartiles were developed by determining the average gross revenue of all the Co-Brand Centers. Specifically, “Quartile 1” refers to Co-Brand Centers that have achieved gross sales ranging from \$700,000.00 and up, “Quartile 2” refers to the next highest level of performing Co-Brand Centers that have achieved gross sales ranging from \$500,000.00 to \$699,999.00, “Quartile 3” refers to the next highest level of performing Co-Brand Centers that have achieved gross sales ranging from \$350,000.00 to \$499,999.00, and “Quartile 4” refers to the bottom level of performing Single Brand Centers that have gross sales range from \$349,999.00 and below.

In Table 2 below, you will find disclosures of Average Gross Revenue, Average Cost of Goods and Average Gross Profit Margin. The Average Gross Revenue disclosures and Average Cost of Goods disclosures made in this financial performance representation are based upon profit and loss statements submitted by 8 Co-Brand Centers operating for one year or more as of December 31, 2013.

The expenses listed in the chart below are based on profit and loss statements provided by participating co-brand centers and you should not consider these as the actual or potential operating expenses that will be realized by you or any other co-brand center. These expenses are from co-brand centers only. The results for a center that is yet to reach maturity (a new center) are likely to differ from those contained in the following chart.

**Co-Brand Centers  
Calendar Year 2013  
GPM Table 2**

Co-Brand	# of Centers	Years Open	Years Co-Brand	Average Gross Sales	Average Cost of Goods	COG %	Average Gross Profit Margin	GPM%
Quartile 1	2	20	6	\$806,172.76	\$449,006.25	56%	\$357,166.51	44%
Quartile 2	2	6.5	5	\$654,640.45	\$298,174.08	46%	\$356,466.38	54%
Quartile 3	2	4.5	4.5	\$497,088.70	\$297,726.71	60%	\$199,362.00	40%
Quartile 4	2	4	4	\$364,623.07	\$195,946.42	54%	\$168,676.66	46%
Total Average (All Quartiles)	8	8.75	4.88	\$580,631.24	\$310,213.36	53%	\$270,417.88	47%

**Range of Gross Sales by Quartile  
Sales Table 2-A**

Sales Quartiles	Range of Gross Sales
Quartile 1	\$750,000.00 and up
Quartile 2	\$550,000.00 to \$749,999.00
Quartile 3	\$400,000.00 to \$549,999.00
Quartile 4	\$399,999.00 and below

As of December 31, 2013, there were 22 Co-Brand Centers located in the United States open for 1 year or more. “Co-Brand Centers” refers to a service center, which operates two brands and business models within one facility and one location. The combined brands operate under

the trade names of Milex Complete Auto Care and Mr. Transmission. The business model of a Co-Brand Center focuses on the combined operation of a transmission service center along with a general automotive service center located within one facility.

For purposes of the financial performance representation we have divided the participating Co-Brand Centers into 4 quartiles based on their gross revenues for the calendar year 2013. "Quartile" refers to the relative performance of the Co-Brand Centers. The 4 quartiles were developed by determining the average gross revenue of all the Co-Brand Centers. Specifically, "Quartile 1" refers to Co-Brand Centers that have achieved gross sales ranging from \$750,000.00 and up, "Quartile 2" refers to the next highest level of performing Co-Brand Centers that have achieved gross sales ranging from \$550,000.00 to \$749,999.00, "Quartile 3" refers to the next highest level of performing Co-Brand Centers that have achieved gross sales ranging from \$400,000.00 to \$549,999.00, and "Quartile 4" refers to the bottom level of performing Single Brand Centers that have gross sales range from \$399,999.00 and below.

On average, the Co-Brand Centers in the "Quartile 1" have been operating as a Co-Brand Center for 6 years and in operation overall for 20 years, "Quartile 2" Centers have operated as a Co-Brand Center for 5 years and in operation overall for 6.5 years on average, "Quartile 3" Centers have operated as a Co-Brand for 4.5 years and in operation overall for 4.5 years, and "Quartile 4" Centers have operated on average as a Co-Brand for 4 years and in operation overall for 4 years.

The highest revenue obtained in "Quartile 1" was \$823,041.31 and the lowest revenue obtained was \$789,331.20. A total of 1, or 50% of the "Quartile 1" Co-Brand Center met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in "Quartile 2" was \$715,696.30 and the lowest revenue obtained was \$593,584.00. A total of 1, or 50% of "Quartile 2" Co-brand Centers met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in "Quartile 3" was \$548,962.00 and the lowest revenue obtained was \$445,215.40. A total of 1, or 50% of "Quartile 3" Co-Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

The highest revenue obtained in "Quartile 4" was \$372,258.51 and the lowest revenue obtained was \$356,987.63. A total of 1, or 50% of "Quartile 4" Co-Brand Centers met or exceeded the Average Gross Revenue for the Quartile.

Please note that the statements of Average Gross Profit Margin equal Average Gross Revenue minus Average Cost of Goods. The Cost of Goods for our franchisees is comprised of (1) parts, (2) fluids, and (3) technician labor. All other expenses, including, but not limited to, rent, royalty fees, advertising, taxes, start-up costs and insurance will impact your operating profit and are not included in the Average Cost of Goods figures.

Other than the preceding financial performance representation, Moran Industries, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, 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 Jill Klein, Moran

Industries, Inc., 4444 West 147<sup>th</sup> Street, Midlothian, Illinois 60445, (800) 377-9247, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Transmission Service Center**  
**Systemwide Outlet Summary \***  
**For Years 2011 to 2013**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised*</b>	2011	107	103	-4
	2012	103	100	-3
	2013	100	100	0
<b>Company Owned**</b>	2011	0	1	+1
	2012	1	1	0
	2013	1	0	-1
<b>Total Outlets</b>	2011	107	104	-3
	2012	104	101	-3
	2013	101	100	-1

\*This systemwide outlet summary represents all substantially similar transmission service center outlets. This includes Mr. Transmission service centers, Multistate Transmissions service centers, Dr. Nick's Transmissions service centers and Mr. Transmission / Milex Co-Branded service centers. We grant franchises for the operation of transmission service centers under the trade name "Dr. Nick's Transmissions" under a separate disclosure document.

\*\*The company-owned outlet added in the year 2011 is a Mr. Transmission service center that was owned and operated by our affiliate, Transmission City from 2011 until 2013. Transmission City acquired this outlet from a terminated franchisee. In 2013 Transmission City sold the outlet to a new franchisee. The outlet operates as a franchise.

Our fiscal year end is December 31.

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**Milex Complete Auto Care Center  
(General Automotive and Brake Service and Repair)  
Systemwide Outlet Summary \*  
For Years 2011 to 2013**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised*</b>	2011	31	30	-1
	2012	30	30	0
	2013	30	29	-1
<b>Company Owned</b>	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
<b>Total Outlets**</b>	2011	31	30	-1
	2012	30	30	0
	2013	30	29	-1

\*This systemwide outlet summary represents all substantially similar general automotive and brake service and repair center outlets. This includes all Milex Complete Auto Centers and Mr. Transmission / Milex Co-Branded service centers. We grant franchises for the operation of general automotive and brake service and repair centers under the trade name "Milex" or "Milex Complete Auto Care" under a separate disclosure document. In this Disclosure Document we grant franchises for the operation of a general automotive and brake repair and service centers under the trade name "Milex" or "Milex Complete Auto Care, but only as part of a Mr. Transmission or Multistate Transmissions / Milex Co-Branded franchise.

\*\*Of the 29 total outlets, 5 are Milex Complete Auto Care Centers and 24 are Milex / Mr. Transmission Co-Brand Centers. One of the Milex / Mr. Transmission Co-Brand Centers also includes an Alta Mere store within its operation and so technically is a Tri-Brand Center.

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**Mr. Transmission Service Centers**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2011	90	86	-4
	2012	86	84	-2
	2013	84	84	0
<b>Company Owned</b>	2011	0	1	+1
	2012	1	1	0
	2013	1	0	-1
<b>Total Outlets</b>	2011	90	87	-3
	2012	87	85	-2
	2013	85	84	-1

**Multistate Transmissions Service Centers**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2011	15	15	0
	2012	15	14	-1
	2013	14	14	0
<b>Company Owned</b>	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
<b>Total Outlets</b>	2011	15	15	0
	2012	15	14	-1
	2013	14	14	0

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**Dr. Nick's Transmissions Service Centers**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2011	2	2	0
	2012	2	2	0
	2013	2	2	0
<b>Company Owned</b>	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
<b>Total Outlets</b>	2011	2	2	0
	2012	2	2	0
	2013	2	2	0

**Mr. Transmission / Milex Complete Auto Care Co-Branded Service Centers**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2011	24	23	-1
	2012	23	24	+1
	2013	24	24	0
<b>Company Owned</b>	2011	0	0	0
	2012	0	0	0
	2013	0	0	0
<b>Total Outlets</b>	2011	24	23	-1
	2012	23	24	+1
	2013	24	24	0

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**Table 2**  
**Transmission Service Center**  
**Transfers of Outlets from Franchisees to New Owners (Other than Franchisor)**  
**For Years 2011 to 2013**

State	Year	Number of Transfers
Alabama	2011	0
	2012	0
	2013	1
Colorado	2011	0
	2012	1
	2013	0
Georgia	2011	0
	2012	1
	2013	0
Kentucky	2011	0
	2012	0
	2013	1
North Carolina	2011	0
	2012	1
	2013	0
Texas	2011	1
	2012	4
	2013	1
Virginia	2011	0
	2012	0
	2013	1
TOTAL	2011	1
	2012	7
	2013	4

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**Milex Complete Auto Care Center**  
**(General Automotive and Brake Service and Repair)**  
**Transfers of Outlets from Franchisees to New Owners (Other than Franchisor)**  
**For Years 2011 to 2013**

State	Year	Number of Transfers
Illinois	2011	0
	2012	0
	2013	1
North Carolina	2011	0
	2012	1
	2013	0
Texas	2011	1
	2012	0
	2013	1
TOTAL*	2011	1
	2012	1
	2013	2

\* This table represents all substantially similar general automotive and brake service and repair center outlets. This includes all Milex Complete Auto Centers and Mr. Transmission / Milex Co-Branded service centers

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**Table 3**  
**Transmission Service Center**  
**Status of Franchised Outlets**  
**For Years 2011 to 2013**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons*	Outlets at End of Year
Alabama	2011	11	0	0	0	0	0	11
	2012	11	0	1	0	0	0	10
	2013	10	0	0	0	0	1	9
California	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Colorado	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Connecticut	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	8	0	0	0	0	0	8
	2012	8	0	0	0	0	0	8
	2013	8	0	0	0	0	0	8
Georgia	2011	20	0	2	0	0	0	18
	2012	18	0	1	0	0	0	17
	2013	17	0	0	0	0	1	16
Illinois*	2011	13	0	1	0	0	0	12
	2012	12	0	0	1	0	0	11
	2013	11	1	0	0	0	0	12
Indiana	2011	4	0	1	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Kentucky	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Michigan	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Mississippi	2011	2	0	1	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New York	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
North Carolina	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	1	0	0	0	3
Ohio	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons*	Outlets at End of Year
Oklahoma	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Carolina	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	0	0	0	3
Tennessee	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Texas	2011	13	0	1	0	0	0	12
	2012	12	0	0	0	0	0	12
	2013	12	1	0	0	0	0	13
Virginia	2011	4	1	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	1	0	0	0	0	6
TOTAL	2011	107	2	6	0	0	0	103
	2012	103	0	2	1	0	0	100
	2013	100	3	1	0	0	2	100

\*The one franchised outlet in Illinois that was terminated in 2011 remained open and operating as a Mr. Transmission service center. Following termination of the franchise, our affiliate, Transmission City took over the operations of the service center. In 2013, our affiliate sold the outlet. The outlet was purchased and operates as a franchise.

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**Milex Complete Auto Care Center  
(General Automotive and Brake Service and Repair)  
Status of Franchised Outlets  
For Years 2011 to 2013**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons*	Outlets at End of Year
Alabama	2011	1	0	0	0	0	0	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
Arizona	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	1	0	0	0	0
Connecticut	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Georgia	2011	2	0	1	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Illinois	2011	4	0	0	0	0	0	4
	2012	4	0	0	1	0	0	3
	2013	3	0	0	0	0	0	3
Indiana	2011	3	0	1	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Kentucky	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Maryland	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Michigan	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
North Carolina	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	0	1	0	0	0	2
Oklahoma	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
South Carolina	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons*	Outlets at End of Year
Tennessee	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Texas	2011	4	0	0	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	0	0	0	0	0	5
Virginia	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
TOTAL	2011	31	1	2	0	0	0	30
	2012	30	2	1	1	0	0	30
	2013	30	1	2	0	0	0	29

\* This table represents all substantially similar general automotive and brake service and repair center outlets. This includes all Milex Complete Auto Centers and Mr. Transmission / Milex Co-Branded service centers.

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**Table 4**  
**Transmission Center Status of Company-Owned Outlets**  
**For Years 2011 to 2013**

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
Illinois*	2011	0	1	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	1	0
TOTAL	2011	0	1	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	1	0

\*The company-owned outlet added in the year 2011 is a Mr. Transmission service center that was owned and operated by our affiliate, Transmission City. This outlet was acquired from a terminated franchisee. In 2013 our affiliate sold the outlet. The outlet was purchased and operates as a franchise.

**Milex Complete Auto Care Center**  
**(General Automotive and Brake Service and Repair)**  
**Status of Company-Owned Outlets**  
**For Years 2011 to 2013**

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
TOTAL	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

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**Table 5**  
**Transmission Service Center**  
**Projected Openings As Of December 31, 2013**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year*	Projected New Company-Owned Outlets in the Next Fiscal Year
<b>Total</b>	0	0	0

\* We have found that our current and recent franchisee candidates tend to be primarily interested in co-branding opportunities. As a result, we are projecting co-branding openings, which projections are disclosed below:

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
California	0	1	0
Colorado	0	1	0
Florida	1	1	0
Maryland	0	1	0
Michigan	0	1	0
Georgia	0	1	0
North Carolina	0	1	0
Oregon	1	1	0
Texas	0	1	0
Virginia	0	1	0
<b>TOTAL</b>	2	11	0

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**Milex Complete Auto Care Center  
(General Automotive and Brake Service and Repair)  
Projected Openings As Of December 31, 2013**

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
California	0	1	0
Colorado	0	1	0
Florida	0	1	0
Maryland	0	1	0
Michigan	0	1	0
Georgia	0	1	0
North Carolina	0	1	0
Texas	1	1	0
Virginia	0	1	0
<b>TOTAL</b>	1	10	0

As of December 31, 2013, we have 3 Franchise Agreements signed with an outlet not yet open:

Bruce Grant	West Palm Beach, Florida
Asmelash Sadik	Dallas, Texas
Robert and Cameron Bauer	Portland, Oregon

A list identifying all current franchisees and their Center or Co-Brand Center addresses and telephone numbers is attached as Exhibit S.

The following is a list of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the year 2013 or who has not communicated with us since January 9, 2014:

Nadar Afshar	Pineville, NC	(803) 396-5335
Jeffrey Jones	Houston, TX	(832) 455-7743
Darrel Moore	Mesa, AZ	(928) 645-3051
Ferrell Murph	Montgomery, AL	(251) 478-5234
Lynette Murray and Mike May	Auburn, AL	(706) 507-4045
Alan Polson	Chamblee, GA	Unknown
Scott Samuel	Crest Hill, IL	(815) 730-1634

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

During the last 3 years, current and former franchisees have signed confidentiality agreements. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Mr. Transmission and Multistate Transmissions franchise systems. 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.

There are no trademark-specific franchisee organizations associated with the franchise system being offered.

## **ITEM 21**      **FINANCIAL STATEMENTS**

Our audited financial statements for the past 3 fiscal years ending December 31, 2013, December 31, 2012 and December 31, 2011 are included in this franchise disclosure document as Exhibit C.

Our fiscal year end is December 31.

## **ITEM 22**      **CONTRACTS**

The following contracts are included in this franchise disclosure document: Compliance Certification (Exhibit D); Franchise Agreement (Exhibit E); TPM PRO Software License Agreement (Exhibit 2 to Franchise Agreement); Nondisclosure and Non-competition Agreement (Exhibit 3 to Franchise Agreement); Guarantee and Assumption of Obligations (Exhibit F); Franchisee List of Officers and Directors (Exhibit G); Co-Branding Franchise Addendum (Exhibit H); Conversion Franchise Addendum (Exhibit I); Authorization for ACH Automated Payments (Exhibit J); Agreement to Participate in Local Advertising Group (Exhibit K) (typically entered into between a franchisee and a local advertising group); Lease Addendum (Exhibit L); Promissory Note and Security Agreement (Exhibit M); Telephone Service Assignment (Exhibit N); Area Developer Agreement (Exhibit O); Co-Branding Area Developer Addendum (Exhibit P); and General Release (Exhibit Q).

## **ITEM 23**      **RECEIPTS**

Exhibit T of this franchise disclosure document contains a detachable document, in duplicate, acknowledging receipt of this franchise disclosure document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one copy for your records and return the other signed copy to: Moran Industries, Inc., 4444 West 147th Street, Midlothian, Illinois 60445.

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## EXHIBIT A

### LIST OF STATE ADMINISTRATORS

California Department of Business Oversight  
320 West 4<sup>th</sup> Street, Suite 750  
Los Angeles, California 90013-1105  
(213) 576-7500; OR  
TOLL FREE : 1-866-275-2677

Florida Department of Agricultural  
and Consumer Services  
Division of Consumer Services  
Mayo Building, Second Floor  
Tallahassee, Florida 32399-0800  
(850) 922-2770

Hawaii Department of Commerce  
and Consumer Affairs  
Business Registration Division  
1010 Richards Street  
Honolulu, Hawaii 96813  
(808) 586-2722

Illinois Office of Attorney General  
Franchise Division  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

Indiana Securities Division  
302 West Washington Street, Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

Kentucky Office of the Attorney General  
Consumer Protection Division  
P.O. Box 2000  
Frankford, Kentucky 40602  
(502) 573-2200

Maryland Office of the Attorney General  
Securities Division  
200 St. Paul Place,  
Baltimore, Maryland 21202  
(410) 576-6360

Michigan Attorney General's Office  
Consumer Protection Division  
670 Law Building  
Lansing, Michigan 48913  
(517) 373-7117

Minnesota Department of Commerce  
85 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101-2198  
(651) 296-4026

Nebraska Department of Banking and Finance  
1200 North Street, Suite 311  
P.O. Box 95006  
Lincoln, Nebraska 68509-5006  
(402) 471-3445

New York State Department of Law  
Bureau of Investor Protection and Securities  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271  
(212) 416-8211

North Dakota Office of Securities Commissioner  
600 East Boulevard, 5<sup>th</sup> Floor  
Bismark, North Dakota 58505  
(701) 328-2910

Oregon Department of Consumer and Business Services  
Division of Finance and Corporate Securities  
Labor and Industries Building  
Salem, Oregon 97310  
(503) 378-4387

Chief Securities Examiner Rhode Island Department of  
Business Regulation Banking Division, Franchise Section  
233 Richard Street, Suite 232  
Providence, Rhode Island 02903-4232  
(401) 222-3048

South Dakota Department of Commerce and Regulation  
Division of Securities 118 West Capital Avenue  
Pierre, South Dakota 57501-2017  
(605) 773-4013

Statutory Document Section  
Texas Secretary of State  
P.O. Box 12887  
Austin, Texas 78711  
(512) 475-1769

State of Utah Division of Consumer Protection  
P.O. Box 45804  
Salt Lake City, Utah 84145-0804  
(801) 530-6601

Virginia State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

State of Washington Department of Financial Institutions  
Securities Division P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8769

State of Wisconsin Department of Financial Institutions  
Division of Securities  
P.O. Box 1768  
Madison, Wisconsin 53701-1768  
(608) 266-1064

**EXHIBIT B**

**AGENTS FOR SERVICE OF PROCESS**

Barbara Moran-Goodrich 4444 West 147th Street Midlothian, Illinois 60445
California Department of Business Oversight 320 West 4 <sup>th</sup> Street Los Angeles, California 900101105
Illinois Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706
Indiana Secretary of State 302 West Washington Street Room E-111 Indianapolis, Indiana 46204
Secretary of State of New York 41 State Street Albany, New York 12231
Clerk of the State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street Richmond, Virginia 23219

**EXHIBIT C**

**FINANCIAL STATEMENTS OF MORAN INDUSTRIES, INC.**

FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2013

FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2012

FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2011

***Moran Industries, Inc.***  
***(d/b/a Moran Family of Brands)***

Financial Statements and  
Independent Auditor's Report

December 31, 2013 and 2012



**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Moran Industries, Inc.

We have audited the accompanying financial statements of Moran Industries, Inc. (d/b/a Moran Family of Brands), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moran Industries, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*FGMK, LLC*

Bannockburn, Illinois  
March 6, 2014

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**BALANCE SHEETS**

**DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 194,872	\$ 220,179
Accounts receivable (net of allowance for doubtful accounts of \$127,411 at December 31, 2013 and 2012)	496,895	984,213
Prepaid expenses	<u>26,575</u>	<u>18,293</u>
	<u>718,342</u>	<u>1,222,685</u>
<b>FIXED ASSETS</b>		
Office equipment, computers and software	224,576	196,640
Leasehold improvements	<u>152,553</u>	<u>152,553</u>
	377,129	349,193
Less: Accumulated depreciation	<u>283,640</u>	<u>271,838</u>
	<u>93,489</u>	<u>77,355</u>
<b>INTANGIBLE ASSETS</b>		
Acquired license agreements	200,000	200,000
Acquired trademarks and trade names	225,744	225,744
Acquisition and incorporation costs	<u>300,000</u>	<u>300,000</u>
	725,744	725,744
Less: Accumulated amortization	<u>710,431</u>	<u>704,214</u>
	<u>15,313</u>	<u>21,530</u>
<b>OTHER ASSETS</b>		
Notes receivable and long-term accounts receivable (net of allowance for doubtful accounts of \$205,448 and \$168,888 at December 31, 2013 and 2012, respectively)	<u>1,618,036</u>	<u>1,289,592</u>
	<u><u>\$ 2,445,180</u></u>	<u><u>\$ 2,611,162</u></u>

The accompanying notes are an integral part of these statements.

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	2013	2012
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 133,561	\$ 115,583
Accounts payable	156,443	177,868
National Creative Marketing Fund deposits	132,436	141,022
Warranty Fund liability	196,000	183,000
	<u>618,440</u>	<u>617,473</u>
<b>LONG-TERM DEBT</b>	<u>1,020,901</u>	<u>1,163,580</u>
	<u>1,639,341</u>	<u>1,781,053</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - Class A, no par value; 15,000 shares authorized; 10,000 issued and outstanding	10,000	10,000
Retained earnings	795,839	820,109
	<u>805,839</u>	<u>830,109</u>
	<u>\$ 2,445,180</u>	<u>\$ 2,611,162</u>

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**STATEMENTS OF INCOME**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>INCOME</b>		
Royalty income	\$ 2,488,813	\$ 2,565,122
Centralized fleet revenue	513,785	417,287
Franchise fees	107,500	65,000
Area developer income	-	25,000
Volume incentive rebates	2,618	7,226
Fleet processing fees	13,405	10,308
Closed center warranty fund revenue	6,000	15,000
Interest income	8,659	10,853
Miscellaneous	<u>63,414</u>	<u>113,761</u>
	3,204,194	3,229,557
<b>COST OF CENTRALIZED FLEET REVENUE</b>	<u>486,482</u>	<u>417,287</u>
<b>OPERATING INCOME</b>	<u>2,717,712</u>	<u>2,812,270</u>
<b>EXPENSES</b>		
Operating	1,953,894	2,237,119
Interest	31,369	37,280
Bad debt	522,495	192,428
State income taxes	<u>15,877</u>	<u>5,808</u>
	<u>2,523,635</u>	<u>2,472,635</u>
<b>NET INCOME</b>	<u><u>\$ 194,077</u></u>	<u><u>\$ 339,635</u></u>

The accompanying notes are an integral part of these statements.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	Common Stock Class A		Common Stock		Retained	Total
	Shares	Amount	Shares	Amount	Earnings	Stockholders' Equity
<b>BALANCE - JANUARY 1, 2012</b>	10,000	\$ 10,000	1,000	\$ 1,000	\$ 767,311	\$ 778,311
Stock retirement	-	-	( 1,000)	( 1,000)	1,000	-
Distributions	-	-	-	-	( 287,837)	( 287,837)
Net income	-	-	-	-	339,635	339,635
<b>BALANCE - DECEMBER 31, 2012</b>	10,000	10,000	-	-	820,109	830,109
Distributions	-	-	-	-	( 218,347)	( 218,347)
Net income	-	-	-	-	194,077	194,077
<b>BALANCE - DECEMBER 31, 2013</b>	10,000	\$ 10,000	-	\$ -	\$ 795,839	\$ 805,839

The accompanying notes are an integral part of these statements.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 194,077	\$ 339,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,802	11,475
Amortization	6,217	6,650
Allowance for doubtful accounts	36,560	-
Changes in operating assets and liabilities:		
Accounts and notes receivable	122,314	9,145
Prepaid expenses	( 8,282)	19,119
Accounts payable	( 28,303)	( 38,638)
National Creative Marketing Fund deposits	( 8,586)	21,241
Warranty Fund liability	13,000	3,000
	<u>338,799</u>	<u>371,627</u>
Net Cash Provided By Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>( 27,936)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	( 124,701)	( 117,105)
Distributions	<u>( 211,469)</u>	<u>( 279,007)</u>
	<u>( 336,170)</u>	<u>( 396,112)</u>
Net Cash Used In Financing Activities		
<b>NET CHANGE IN CASH</b>	( 25,307)	( 24,485)
<b>CASH - BEGINNING OF YEAR</b>	<u>220,179</u>	<u>244,664</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 194,872</u></u>	<u><u>\$ 220,179</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u><u>\$ 31,369</u></u>	<u><u>\$ 37,280</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES</b>		
Stock retirement	<u><u>\$ -</u></u>	<u><u>\$ 1,000</u></u>
Increase (decrease) in accrued distributions	<u><u>\$ ( 1,952)</u></u>	<u><u>\$ 8,830</u></u>

The accompanying notes are an integral part of these statements.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business.** Moran Industries, Inc., d/b/a Moran Family of Brands (“Moran”) was incorporated on July 27, 1990, and entered into an asset sale agreement on August 28, 1990 to purchase certain assets from the Automotive Franchise Corporation Bankruptcy Estate. The purchase was consummated on October 24, 1990. Alta Mere Industries, Inc. was incorporated in Illinois on June 27, 1996, and entered into a merger agreement with AMI Franchising, Inc., a Texas Corporation, on June 30, 1996. The merger was completed on July 24, 1996, with Alta Mere Industries, Inc. as the surviving corporation. On July 1, 2007, Moran and Alta Mere Industries, Inc. merged, with Moran as the surviving corporation.

Effective July 1, 2010, Moran recapitalized, redeeming all of its then outstanding common stock of Moran for a stock redemption note of \$1,500,000 and a stock purchase note from the new majority stockholder for \$1,500,000. 10,000 shares of class A common stock were issued to the majority stockholder and two minority stockholders. The stock purchase note includes interest only payments until the stock redemption note is fully paid in accordance with the terms as disclosed in Note 3. The recapitalization was entered with related parties and, therefore, was accounted for at book value and does not represent a change in control.

Moran is a franchisor for after-market auto repair shops, high-tech automotive accessories and window tinting specialists.

System-wide revenues include income at all Moran franchisee locations. While income by franchisees is not recorded as income by Moran, management believes the information is important in understanding Moran’s financial performance because it is the basis on which Moran calculates and records franchised income and is indicative of the financial health of their franchisee base. The financial statements include supplementary information which provides the statements of income as if system-wide revenues, as unaudited, were recorded by Moran.

**Management Estimates and Assumptions.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Moran’s significant estimates include (1) the allowances for doubtful accounts, (2) impairment for fixed assets and (3) warranty fund liability. Future events and their effects cannot be predicted with certainty, accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

**Concentrations of Credit Risk.** Moran regularly maintains cash balances that exceed Federal Depository Insurance Corporation limits.

**Accounts Receivable, Notes Receivable, and the Allowances for Doubtful Accounts.** Accounts receivable are uncollateralized royalties due to Moran based on the franchisees revenue. Notes receivable represent long-term notes entered into with various franchisees to assist in facility set-up costs, or other assistance. The notes are due under various terms as specified, and generally include the equipment, inventory and parts as collateral. The carrying amount of accounts receivable and notes receivable are reduced by valuation allowances that reflects management’s best estimate of amounts that will not be collected. Management individually reviews past due balances and based on an assessment of franchisees current creditworthiness, and underlying collateral, estimates the portion, if any that will not be collected. Additionally, management assesses the remaining balances of accounts receivable and notes receivable based on past experience and an assessment of future economic conditions to determine its best future estimate of the portion that will not be collected.

(Continued)

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**Fixed Assets.** Office equipment, computers, software, signs and leasehold improvements are recorded at acquisition cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the respective assets. Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no impairment charges for the years ended December 31, 2013 and 2012.

**Intangible Assets.** License agreements, trademarks and trade names acquired are being amortized on a straight-line basis over the terms of the respective agreements (20 - 25 years). The acquisition and incorporation costs are being amortized on a straight-line basis over 15 years. Intangible assets are continually reviewed to evaluate whether changes have occurred that would suggest such assets might be impaired. If circumstances suggest that the associated costs are not recoverable, the carrying value is reduced to fair value. There were no impairment charges for the years ended December 31, 2013 and 2012.

**National Creative Marketing Fund Deposits.** Franchisees and certain suppliers remit a payment to the National Creative Marketing Fund to pay for creative marketing, in accordance with the agreements entered into. These funds are held by Moran but controlled by a board of franchisees.

**Warranty Fund Liability.** Certain franchisees remit a payment to a warranty fund held by Moran to pay any estimated future claims for warranty repairs which franchisees may fail to honor; on service center warranties or reimbursements that are unpaid; and for warranties which are the responsibility of any center which has closed for any reason and not reopened.

**Revenue Recognition.** Franchise arrangements with franchisees that operate in various geographical locations generally provide for initial fees and continuing payments to Moran based upon a percentage of gross sales, as defined in the specific franchisee agreements.

Initial franchise fees are due immediately upon execution of the franchise agreement. The franchise fee is fully earned and recognized by Moran upon execution of the franchise agreement.

Royalty income is recorded and recognized weekly based upon a percentage of gross sales. Among other things, franchisees are provided training, technical support, advisory services, and advertising and promotional tools, as well as protection against trademark, service mark and patent infringements.

**Income Taxes.** Moran has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, Moran's stockholders are personally responsible for income taxes on Moran's taxable income. As such, no provision is made for income taxes in the accompanying financial statements. Moran is responsible for certain other state taxes.

GAAP requires management to evaluate tax positions taken by Moran and recognize a tax liability (or asset) if Moran has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. Management has analyzed the tax positions taken by Moran, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Moran is subject to routine audits by the Internal Revenue Service or other tax authorities, generally for three years after the tax returns are filed; however, there are currently no audits for any tax periods in progress.

Moran may make a distribution to its stockholders in 2014 in connection with such stockholders' respective income tax liabilities incurred for 2013 as a result of Moran's Subchapter S income tax status.



**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 – CASH**

The portion of funds restricted for the benefit of the National Creative Marketing Fund was \$78,293 and \$86,879 as of December 31, 2013 and 2012, respectively.

**NOTE 3 – LONG-TERM DEBT**

Long-term debt is as follows as of December 31:

	<u>2013</u>	<u>2012</u>
Note payable to the former majority stockholder, bearing interest at 13.00% payable in sixty monthly installments of \$1,493, including interest; the note is secured by Moran's security interest in the assets of two transmission centers.	\$ 24,973	\$ 39,135
Redemption note payable to former stockholders bearing interest at 6% payable at varying amounts including principal and interest, maturing in July 2028. The note is personally guaranteed by the majority stockholder.	<u>1,129,489</u>	<u>1,240,028</u>
	1,154,462	1,279,163
Less: Current portion	<u>133,561</u>	<u>115,583</u>
	<u>\$ 1,020,901</u>	<u>\$ 1,163,580</u>

Approximate maturities of long-term debt are as follows as of December 31, 2013:

<u>December 31</u>	<u>Amount</u>
2014	\$ 133,561
2015	138,429
2016	133,444
2017	141,675
2018	150,413
Thereafter	<u>456,940</u>
	<u>\$ 1,154,562</u>

Monthly obligations under the stock redemption note and the stock purchase note are approximately \$22,500. The interest only payments related to the stock purchase note are accounted for as distributions to the majority stockholder until the stock redemption note is fully paid in accordance to the terms disclosed above.

**NOTE 4 – OPERATING LEASES**

Moran leases corporate office headquarters under an agreement with the former majority stockholders under a month-to-month lease, with monthly payments of approximately \$9,300, plus real estate taxes. Rent expense was approximately \$114,000 for each of the years ended December 31, 2013 and 2012, and is included in operating expenses.

Moran leases equipment under a non-cancelable operating lease expiring September 2016, with monthly payments of approximately \$610 plus usage charges. Rent expense was approximately \$10,000 and \$8,000 for the years ended December 31, 2013 and 2012, respectively.

(Continued)

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 4 – OPERATING LEASES (Concluded)**

Minimum rental commitments under this lease are approximately as follows as of December 31, 2013:

Year Ending December 31	Amount
2014	\$ 7,300
2015	7,300
2016	5,500
	<u>\$ 20,100</u>

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The former majority stockholders of Moran are the majority stockholders in Transmission City, Inc., a franchisee of Moran. Balances due from Transmission City, Inc. are as follows as of December 31:

	2013	2012
Accounts receivable due from Transmission City, Inc.	\$ 159,578	\$ 179,032
Notes receivable due from Transmission City, Inc.	\$ 301,663	\$ 301,663

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Litigation.** In the ordinary course of business, there may be various claims or lawsuits brought by or against Moran. Management is not aware of any claims or lawsuits that could materially affect the financial position, results of operations, or liquidity of Moran.

**Warranty Liability.** Moran accrues an estimate of its exposure to warranty claims based on franchisees payments to the warranty fund. Changes in Moran's warranty liability for the respective years ended December 31 were as follows:

	2013	2012
Warranty accrual, beginning of period	\$ 183,000	\$ 180,000
Warranty funds collected	19,000	18,000
Warranty funds reimbursed	<u>( 6,000)</u>	<u>( 15,000)</u>
Warranty accrual, end of period	<u>\$ 196,000</u>	<u>\$ 183,000</u>

**NOTE 7 – SUBSEQUENT EVENTS**

Moran's management has evaluated all known subsequent events from December 31, 2013 through March 6, 2014, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.

***Moran Industries, Inc.***  
***(d/b/a Moran Family of Brands)***

Financial Statements and  
Independent Auditor's Report

December 31, 2012 and 2011

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Moran Industries, Inc.

We have audited the accompanying financial statements of Moran Industries, Inc. (d/b/a Moran Family of Brands), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moran Industries, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*FGMK, LLC*

Bannockburn, Illinois  
March 19, 2013

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**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**BALANCE SHEETS**

**DECEMBER 31, 2012 AND 2011**

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 220,179	\$ 244,664
Accounts receivable (net of allowance for doubtful accounts of \$127,411 and \$183,705 at December 31, 2012 and 2011, respectively)	984,213	966,853
Prepaid expenses	<u>18,293</u>	<u>37,412</u>
	<u>1,222,685</u>	<u>1,248,929</u>
 <b>FIXED ASSETS</b>		
Office equipment, computers and software	196,640	196,640
Leasehold improvements	<u>152,553</u>	<u>152,553</u>
	349,193	349,193
Less: Accumulated depreciation	<u>271,838</u>	<u>260,363</u>
	<u>77,355</u>	<u>88,830</u>
 <b>INTANGIBLE ASSETS</b>		
Acquired license agreements	200,000	200,000
Acquired trademarks and trade names	225,744	225,744
Acquisition and incorporation costs	<u>300,000</u>	<u>300,000</u>
	725,744	725,744
Less: Accumulated amortization	<u>704,214</u>	<u>697,564</u>
	<u>21,530</u>	<u>28,180</u>
 <b>OTHER</b>		
Notes receivable (net of allowance for doubtful accounts of \$168,888 and \$112,594 at December 31, 2012 and 2011, respectively)	<u>1,289,592</u>	<u>1,316,097</u>
	<u><u>\$ 2,611,162</u></u>	<u><u>\$ 2,682,036</u></u>

The accompanying notes are an integral part of these statements.

# **LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2012</u>	<u>2011</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 115,583	\$ 117,003
Accounts payable	177,868	207,676
National Creative Marketing Fund deposits	141,022	119,781
Warranty Fund liability	<u>183,000</u>	<u>180,000</u>
	617,473	624,460
<b>LONG-TERM DEBT</b>	<u>1,163,580</u>	<u>1,279,265</u>
	<u>1,781,053</u>	<u>1,903,725</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - Class A, no par value, 15,000 shares authorized; 10,000 issued and outstanding	10,000	10,000
Common stock - No par value, -0- and 1,000 shares authorized, issued and outstanding at December 31, 2012 and 2011, respectively	-	1,000
Retained earnings	<u>820,109</u>	<u>767,311</u>
	<u>830,109</u>	<u>778,311</u>
	<u><u>\$ 2,611,162</u></u>	<u><u>\$ 2,682,036</u></u>

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**STATEMENTS OF INCOME**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>INCOME</b>		
Royalty income	\$ 2,565,122	\$ 2,659,118
Centralized fleet revenue	417,287	500,377
Franchise fees	65,000	75,000
Area developer income	25,000	-
Volume incentive rebates	7,226	4,341
Fleet processing fees	10,308	13,952
Closed center warranty fund revenue	15,000	12,000
Interest income	10,853	15,303
Miscellaneous	<u>113,761</u>	<u>42,707</u>
	3,229,557	3,322,798
<b>COST OF CENTRALIZED FLEET REVENUE</b>	<u>417,287</u>	<u>500,377</u>
<b>OPERATING INCOME</b>	<u>2,812,270</u>	<u>2,822,421</u>
<b>EXPENSES</b>		
Operating	2,237,119	2,137,159
Interest	37,280	44,245
Bad debt	192,428	308,501
State income taxes	<u>5,808</u>	<u>6,491</u>
	<u>2,472,635</u>	<u>2,496,396</u>
<b>NET INCOME</b>	<u><u>\$ 339,635</u></u>	<u><u>\$ 326,025</u></u>

The accompanying notes are an integral part of these statements.



**MORAN INDUSTRIES, INC.**  
(d/b/a MORAN FAMILY OF BRANDS)

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	Common Stock Class A		Common Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount		
<b>BALANCE - JANUARY 1, 2011</b>	10,000.00	\$ 10,000	1,000.00	\$ 1,000	\$ 762,885	\$ 773,885
Distributions	-	-	-	-	( 321,599)	( 321,599)
Net income	-	-	-	-	326,025	326,025
<b>BALANCE - DECEMBER 31, 2011</b>	10,000.00	10,000	1,000.00	1,000	767,311	778,311
Stock retirement	-	-	(1,000.00)	( 1,000)	1,000	-
Distributions	-	-	-	-	( 287,837)	( 287,837)
Net income	-	-	-	-	339,635	339,635
<b>BALANCE - DECEMBER 31, 2012</b>	10,000.00	\$ 10,000	-	\$ -	\$ 820,109	\$ 830,109

The accompanying notes are an integral part of these statements.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 339,635	\$ 326,025
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,475	12,907
Amortization	6,650	18,317
Changes in operating assets and liabilities:		
Accounts and notes receivable	9,145	1,056
Prepaid expenses	19,119	( 25,821)
Accounts payable	( 38,638)	17,699
National Creative Marketing Fund deposits	21,241	( 15,684)
Warranty Fund liability	3,000	( 3,000)
Net Cash Provided By Operating Activities	<u>371,627</u>	<u>331,499</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	( 117,105)	( 110,142)
Distributions	( 279,007)	( 232,170)
Net Cash Used In Financing Activities	<u>( 396,112)</u>	<u>( 342,312)</u>
<b>NET CHANGE IN CASH</b>	( 24,485)	( 10,813)
<b>CASH - BEGINNING OF YEAR</b>	<u>244,664</u>	<u>255,477</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 220,179</u></u>	<u><u>\$ 244,664</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 37,280</u>	<u>\$ 44,245</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES</b>		
Reclassification of due from stockholder to distributions	<u>\$ -</u>	<u>\$ 80,000</u>
Stock retirement	<u>\$ 1,000</u>	<u>\$ -</u>
Change in accrued distributions	<u><u>\$ 8,830</u></u>	<u><u>\$ 9,429</u></u>

The accompanying notes are an integral part of these statements.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Description of Business.* Moran Industries, Inc., d/b/a Moran Family of Brands (“Moran”), was incorporated on July 27, 1990, and entered into an asset sale agreement on August 28, 1990 to purchase certain assets from the Automotive Franchise Corporation Bankruptcy Estate. The purchase was consummated on October 24, 1990. Alta Mere Industries, Inc. was incorporated in Illinois on June 27, 1996, and entered into a merger agreement with AMI Franchising, Inc., a Texas Corporation, on June 30, 1996. The merger was completed on July 24, 1996, with Alta Mere Industries, Inc. as the surviving corporation. On July 1, 2007, Moran and Alta Mere Industries, Inc. merged, with Moran as the surviving corporation.

Effective July 1, 2010, Moran recapitalized, redeeming all of its then outstanding common stock of Moran for a stock redemption note of \$1,500,000 and a stock purchase note from the new majority stockholder for \$1,500,000. 10,000 shares of class A common stock were issued to the majority stockholder and two minority stockholders. The stock purchase note includes interest only payments until the stock redemption note is fully paid in accordance with the terms as disclosed in Note 3. The recapitalization was entered with related parties and, therefore, was accounted for at book value and does not represent a change in control.

Moran is a franchisor for after-market auto repair shops, and Alta Mere Industries, Inc. is a franchisor for high-tech automotive accessories and window tinting specialists.

System-wide income includes income at all Moran franchisee locations. While income by franchisees is not recorded as income by Moran, management believes the information is important in understanding Moran’s financial performance because it is the basis on which Moran calculates and records franchised income and is indicative of the financial health of their franchisee base. The financial statements include supplementary information which provides the statements of income as if system-wide revenues, as unaudited, were recorded by Moran.

*Management Estimates and Assumptions.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Moran’s significant estimates include (1) the allowances for doubtful accounts, (2) impairment for property and equipment and intangible assets, and (3) warranty fund liability. Future events and their effects cannot be predicted with certainty, accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

*Concentrations of Credit Risk.* Moran regularly maintains cash balances that exceed Federal Depository Insurance Corporation limits.

*Accounts Receivable, Notes Receivable, and the Allowances for Doubtful Accounts.* Accounts receivable are uncollateralized royalties due to Moran based on the franchisees revenue. Notes receivable represent long-term notes entered into with various franchisees to assist in facility set-up costs, or other assistance. The notes are due under various terms as specified, and generally include the equipment, inventory and parts as collateral. The carrying amount of accounts receivable and notes receivable are reduced by valuation allowances that reflects management’s best estimate of amounts that will not be collected. Management individually reviews past due balances and based on an assessment of franchisees current creditworthiness, and underlying collateral, estimates the portion, if any that will not be collected. Additionally, management assesses the remaining balances of accounts receivable and notes receivable based on past experience and an assessment of future economic conditions to determine its best future estimate of the portion that will not be collected.

(Continued)

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

***Fixed Assets.*** Office equipment, computers, software, signs and leasehold improvements are recorded at acquisition cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the respective assets. Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no impairment charges for the years ended December 31, 2012 and 2011.

***Intangible Assets.*** License agreements, trademarks and trade names acquired are being amortized on a straight-line basis over the terms of the respective agreements (20 - 25 years). The acquisition and incorporation costs are being amortized on a straight-line basis over 15 years. Intangible assets are continually reviewed to evaluate whether changes have occurred that would suggest such assets might be impaired. If circumstances suggest that the associated costs are not recoverable, the carrying value is reduced to fair value. There were no impairment charges for the years ended December 31, 2012 and 2011.

***National Creative Marketing Fund Deposits.*** Franchisees and certain suppliers remit a payment to the National Creative Marketing Fund to pay for creative marketing, in accordance with the agreements entered into. These funds are held by Moran but controlled by a board of franchisees.

***Warranty Fund Liability.*** Certain franchisees remit a payment to a warranty fund held by Moran to pay any estimated future claims for warranty repairs which franchisees may fail to honor; on service center warranties or reimbursements that are unpaid; and for warranties which are the responsibility of any center which has closed for any reason and not reopened.

***Revenue Recognition.*** Franchise arrangements with franchisees that operate in various geographical locations generally provide for initial fees and continuing payments to Moran based upon a percentage of gross sales, as defined in the specific franchisee agreements.

Initial franchise fees are due immediately upon execution of the franchise agreement. The franchise fee is fully earned and recognized by Moran upon execution of the franchise agreement.

Royalty income is recorded and recognized weekly based upon a percentage of gross sales. Among other things, franchisees are provided training, technical support, advisory services, and advertising and promotional tools, as well as protection against trademark, service mark and patent infringements.

***Income Taxes.*** Moran has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, Moran's stockholders are personally responsible for income taxes on Moran's taxable income. As such, no provision is made for income taxes in the accompanying financial statements. Moran is responsible for certain other state taxes. There are no provisions for federal income taxes.

GAAP requires management to evaluate tax positions taken by Moran and recognize a tax liability (or asset) if Moran has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. Management has analyzed the tax positions taken by Moran, and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Moran is subject to routine audits by the Internal Revenue Service or other tax authorities, generally for three years after the tax returns are filed; however, there are currently no audits for any tax periods in progress.

Moran may make a distribution to its stockholders in 2013 in connection with such stockholders' respective income tax liabilities incurred for 2012 as a result of Moran's Subchapter S income tax status.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 2 – CASH**

The portion of funds restricted for the benefit of the National Creative Marketing Fund was \$86,879 and \$61,554 as of December 31, 2012 and 2011, respectively.

**NOTE 3 – NOTE PAYABLE**

Long-term debt is as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Note payable to the former majority stockholder, bearing interest at 13.00% payable in sixty monthly installments of \$1,493, including interest; the note is secured by Moran's security interest in the assets of two transmission centers.	\$ 39,135	\$ 51,104
Redemption note payable to former stockholders bearing interest at 6% payable at varying amounts including principal and interest, maturing in July 2028. The note is personally guaranteed by the majority stockholder.	<u>1,240,028</u>	<u>1,345,164</u>
	1,279,163	1,396,268
Less: Current portion	<u>115,583</u>	<u>117,003</u>
	<u>\$ 1,163,580</u>	<u>\$ 1,279,265</u>

Approximate maturities of long-term debt are as follows as of December 31, 2012:

<u>December 31</u>	<u>Amount</u>
2013	\$ 116,000
2014	133,000
2015	128,000
2016	125,000
2017	133,000
Thereafter	<u>644,000</u>
	<u>\$ 1,279,000</u>

Monthly obligations under the stock redemption note and the stock purchase note are approximately \$22,500. The interest only payments related to the stock purchase note are accounted for as distributions to the majority stockholder until the stock redemption note is fully paid in accordance to the terms disclosed above.

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 4 – OPERATING LEASES**

Moran leases corporate office headquarters under an agreement with the former majority stockholders under a non-cancelable operating lease expiring June 30, 2013, with monthly payments of approximately \$9,300, plus real estate taxes. Rent expense was approximately \$114,000 for each of the years ended December 31, 2012 and 2011, and is included in operating expenses. Moran has not begun negotiations in renewing the lease agreement with the former majority stockholders, nor with an unrelated third party for new office headquarters.

Moran leases equipment under a non-cancelable operating lease expiring September 2016, with monthly payments of approximately \$610, plus usage charges. Rent expense was approximately \$8,000 and \$6,000, for the years ended December 31, 2012 and 2011, respectively.

Minimum rental commitments under this lease are approximately as follows as of December 31, 2012:

Year Ending December 31	Amount
2013	\$ 7,000
2014	7,000
2015	7,000
2016	7,000
	<u>\$ 28,000</u>

**NOTE 5 – RELATED-PARTY TRANSACTIONS**

The former majority stockholders of Moran are the majority stockholders in Transmission City, Inc., a franchisee of Moran. Balances due from Transmission City, Inc. are as follows as of December 31:

	2012	2011
Accounts receivable due from Transmission City, Inc.	\$ 179,032	\$ 178,508
Notes receivable due from Transmission City, Inc.	\$ 301,663	\$ 301,663

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Litigation.** In the ordinary course of business, there may be various claims or lawsuits brought by or against Moran. Management is not aware of any claims or lawsuits that could materially affect the financial position, results of operations, or liquidity of Moran.

**Warranty Liability.** Moran accrues an estimate of its exposure to warranty claims based on franchisees payments to the warranty fund. Changes in Moran's warranty liability for the respective years ended December 31 were as follows:

	2012	2011
Warranty accrual, beginning of period	\$ 180,000	\$ 183,000
Warranty funds collected	18,000	12,000
Warranty funds reimbursed	( 15,000)	( 15,000)
Warranty accrual, end of period	<u>\$ 183,000</u>	<u>\$ 180,000</u>

**MORAN INDUSTRIES, INC.**  
**(d/b/a MORAN FAMILY OF BRANDS)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**(Concluded)**

**NOTE 7 – SUBSEQUENT EVENTS**

Moran's management has evaluated all known subsequent events from December 31, 2012 through March 19, 2013, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.

**MORAN INDUSTRIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**



**MORAN INDUSTRIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholders  
Moran Industries, Inc.

We have audited the accompanying consolidated balance sheets of Moran Industries, Inc. and Subsidiary (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year and the six months then ended, respectively. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Moran Industries, Inc. and Subsidiary as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the year and six months then ended, respectively, in conformity with accounting principles generally accepted in the United States of America.

*FGMK, LLC*

Bannockburn, Illinois  
February 25, 2012

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MORAN INDUSTRIES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

ASSETS			
		2011	2010
<b>CURRENT ASSETS</b>			
Cash		\$ 244,664	\$ 255,477
Accounts receivable (net of allowance for doubtful accounts of \$183,705 at December 31, 2011 and 2010)		966,853	789,046
Prepaid expenses		37,412	11,591
		<u>1,248,929</u>	<u>1,056,114</u>
<b>FIXED ASSETS</b>			
Office equipment, computers and software		196,640	196,640
Leasehold improvements		152,553	152,553
		<u>349,193</u>	<u>349,193</u>
Less: Accumulated depreciation		<u>260,363</u>	<u>247,456</u>
		<u>88,830</u>	<u>101,737</u>
<b>INTANGIBLE ASSETS</b>			
Acquired license agreements		200,000	200,000
Acquired trademarks and trade names		225,744	225,744
Acquisition and incorporation costs		300,000	300,000
		<u>725,744</u>	<u>725,744</u>
Less: Accumulated amortization		<u>697,564</u>	<u>679,247</u>
		<u>28,180</u>	<u>46,497</u>
<b>OTHER</b>			
Notes receivable (net of allowance for doubtful accounts of \$112,594 at December 31, 2011 and 2010)		1,316,097	1,494,960
Due from stockholder		-	80,000
		<u>1,316,097</u>	<u>1,574,960</u>
		<u>\$ 2,682,036</u>	<u>\$ 2,779,308</u>

The accompanying notes are an integral part of these statements.

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<u>2011</u>	<u>2010</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 117,003	\$ 109,449
Accounts payable	207,676	180,548
National Creative Marketing Fund deposits	119,781	135,465
Warranty Fund liability	<u>180,000</u>	<u>183,000</u>
	624,460	608,462
<b>LONG-TERM DEBT</b>	<u>1,279,265</u>	<u>1,396,961</u>
	<u>1,903,725</u>	<u>2,005,423</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - Class A, no par value, 15,000 shares authorized; 10,000 issued and outstanding	10,000	10,000
Common stock - No par value, 1,000 shares authorized, issued and outstanding	1,000	1,000
Retained earnings	<u>767,311</u>	<u>762,885</u>
	<u>778,311</u>	<u>773,885</u>
	<u><u>\$ 2,682,036</u></u>	<u><u>\$ 2,779,308</u></u>

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 2011 AND SIX MONTHS ENDED DECEMBER 31, 2010

	Year Ended December 31, 2011	Six Months Ended December 31, 2010
<b>INCOME</b>		
Royalty income	\$ 2,659,118	\$ 1,214,475
Centralized fleet revenue	500,377	398,441
Franchise fees	75,000	62,500
Volume incentive rebates	4,341	1,013
Fleet processing fees	13,952	9,251
Closed center warranty fund revenue	12,000	15,000
Interest income	15,303	7,191
Miscellaneous	42,707	58,941
	<u>3,322,798</u>	<u>1,766,812</u>
<b>COST OF CENTRALIZED FLEET REVENUE</b>	<u>500,377</u>	<u>398,441</u>
<b>OPERATING INCOME</b>	<u>2,822,421</u>	<u>1,368,371</u>
<b>EXPENSES</b>		
Operating	2,137,159	1,094,821
Interest	44,245	27,916
Bad debt	308,501	196,693
Income taxes	6,491	543
	<u>2,496,396</u>	<u>1,319,973</u>
<b>NET INCOME</b>	<u>\$ 326,025</u>	<u>\$ 48,398</u>

The accompanying notes are an integral part of these statements.

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2011 AND SIX MONTHS ENDED DECEMBER 31, 2010

	Common Stock Class A		Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
<b>BALANCE - JULY 1, 2010</b>	32,081.00	\$ 32,081	1,000.00	\$ 1,000	\$ 167,179	\$ 2,074,834	\$ 2,275,094
Stock redemption	( 32,081.00)	( 32,081)	-	-	( 167,179)	( 1,300,740)	( 1,500,000)
Recapitalization (Note 1)	10,000.00	10,000	-	-	-	( 10,000)	-
Distributions	-	-	-	-	-	( 49,607)	( 49,607)
Net income	-	-	-	-	-	48,398	48,398
<b>BALANCE - DECEMBER 31, 2010</b>	10,000.00	10,000	1,000.00	1,000	-	762,885	773,885
Distributions	-	-	-	-	-	( 321,599)	( 321,599)
Net income	-	-	-	-	-	326,025	326,025
<b>BALANCE - DECEMBER 31, 2011</b>	10,000.00	\$ 10,000	1,000.00	\$ 1,000	\$ -	\$ 767,311	\$ 778,311

The accompanying notes are an integral part of these statements.

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011 AND SIX MONTHS ENDED DECEMBER 31, 2010

	Year Ended December 31, 2011	Six Months Ended December 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 326,025	\$ 48,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	12,907	9,462
Amortization	18,317	14,871
Changes in operating assets and liabilities:		
Accounts and notes receivable	1,056	102,454
Prepaid expenses	( 25,821)	5,523
Accounts payable	17,699	60,507
National Creative Marketing Fund deposits	( 15,684)	23,401
Warranty Fund deposits	( 3,000)	( 12,000)
Net Cash Provided By Operating Activities	<u>331,499</u>	<u>252,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Due from stockholder	<u>-</u>	<u>( 80,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	( 110,142)	( 60,650)
Distributions	<u>( 232,170)</u>	<u>( 49,607)</u>
Net Cash Used In Financing Activities	<u>( 342,312)</u>	<u>( 110,257)</u>
<b>NET CHANGE IN CASH</b>	( 10,813)	62,359
<b>CASH - BEGINNING OF PERIOD</b>	<u>255,477</u>	<u>193,118</u>
<b>CASH - END OF PERIOD</b>	<u>\$ 244,664</u>	<u>\$ 255,477</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 44,245</u>	<u>\$ 27,916</u>
Income taxes paid	<u>\$ 6,491</u>	<u>\$ 543</u>
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES</b>		
Reclassification of due from stockholder to distributions	<u>\$ 80,000</u>	<u>\$ -</u>
Accrued distributions	<u>\$ 9,429</u>	<u>\$ -</u>
Debt incurred for redemption of 32,081 shares of common stock	<u>\$ -</u>	<u>\$ 1,500,000</u>
Issuance of 10,000 shares of common stock as part of recapitalization (Note 1)	<u>\$ -</u>	<u>\$ 10,000</u>

The accompanying notes are an integral part of these statements.

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of Business.** Moran Industries, Inc. (“Moran”) was incorporated on July 27, 1990, and entered into an asset sale agreement on August 28, 1990 to purchase certain assets from the Automotive Franchise Corporation Bankruptcy Estate. The purchase was consummated on October 24, 1990. Alta Mere Industries, Inc. was incorporated in Illinois on June 27, 1996, and entered into a merger agreement with AMI Franchising, Inc., a Texas Corporation, on June 30, 1996. The merger was completed on July 24, 1996, with Alta Mere Industries, Inc. as the surviving corporation. On July 1, 2007, Moran Industries, Inc. and Alta Mere Industries, Inc. merged, with Moran Industries, Inc. as the surviving corporation.

Effective July 1, 2010, Moran recapitalized, redeeming all of its then outstanding common stock of Moran for a stock redemption note of \$1,500,000 and a stock purchase note from the new majority stockholder for \$1,500,000. 10,000 shares of class A common stock were issued to the majority stockholder and two minority stockholders. The stock purchase note includes interest only payments until the stock redemption note is fully paid in accordance with the terms as disclosed in Note 3. The recapitalization was entered with related parties and, therefore, was accounted for at book value and does not represent a change in control.

Moran Industries, Inc. is a franchisor for after-market auto repair shops, and Alta Mere Industries, Inc. is a franchisor for high-tech automotive accessories and window tinting specialists. Texas Moran Industries, Inc. (the “Subsidiary”) is a dormant company. Moran and the Subsidiary are collectively referred to as the “Company.”

System-wide income includes income at all Company franchisee locations. While income by franchisees is not recorded as income by the Company, management believes the information is important in understanding the Company’s financial performance because it is the basis on which the Company calculates and records franchised income and is indicative of the financial health of their franchisee base. The consolidated financial statements include supplementary information which provides the statement of operations as if system-wide revenues, as unaudited, were recorded by the Company.

**Basis of Presentation.** Effective for the period commencing July 1, 2010, the Company elected to be taxed as an S corporation, thus, the Company’s year end became December 31 effective for the six month period ending December 31, 2010. As a result, the consolidated financial statements present the balance sheets as of December 31, 2011 and 2010, and the operations for the year ended December 31, 2011 and the six month period from July 1, 2010 through December 31, 2010.

**Principles of Consolidation.** The accompanying consolidated financial statements include the accounts of Moran and the Subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Management Estimates and Assumptions.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The Company’s significant estimates include (1) the allowances for doubtful accounts, (2) impairment for property and equipment and intangible assets, and (3) warranty fund liability. Future events and their effects cannot be predicted with certainty, accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these consolidated financial statements change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes.

**Concentrations of Credit Risk.** The Company regularly maintains cash balances that exceed Federal Depository Insurance Corporation limits.

(Continued)



## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

*Accounts Receivable, Notes Receivable, and the Allowances for Doubtful Accounts.* Accounts receivable are uncollateralized royalties due to the Company based on the franchisees revenue. Notes receivable represent long-term notes entered into with various franchisees to assist in facility set-up costs, or other assistance. The notes are due under various terms as specified, and generally include the equipment, inventory and parts as collateral. The carrying amount of accounts receivable and notes receivable are reduced by valuation allowances that reflects management's best estimate of amounts that will not be collected. Management individually reviews past due balances and based on an assessment of franchisees current creditworthiness, and underlying collateral, estimates the portion, if any that will not be collected. Additionally, management assesses the remaining balances of accounts receivable and notes receivable based on past experience and an assessment of future economic conditions to determine its best future estimate of the portion that will not be collected.

*Due from Stockholder.* Due from stockholder as of December 31, 2010 consist of various advances, which are unsecured, bear no interest and are due on demand.

*Fixed Assets.* Office equipment, computers, software, signs and leasehold improvements are recorded at acquisition cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the respective assets. Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no impairment charges for the year ended December 31, 2011 and the six months ended December 31, 2010.

*Intangible Assets.* License agreements, trademarks and trade names acquired are being amortized on a straight-line basis over the terms of the respective agreements (20 - 25 years). The acquisition and incorporation costs are being amortized on a straight-line basis over 15 years. Intangible assets are continually reviewed to evaluate whether changes have occurred that would suggest such assets might be impaired. If circumstances suggest that the associated costs are not recoverable, the carrying value is reduced to fair value. There were no impairment charges for the year ended December 31, 2011 and the six months ended December 31, 2010.

*National Creative Marketing Fund Deposits.* Franchisees and certain suppliers remit a payment to the National Creative Marketing Fund to pay for creative marketing, in accordance with the agreements entered into. These funds are held by the Company but controlled by a board of franchisees.

*Warranty Fund Liability.* Certain franchisees remit a payment to a warranty fund held by the Company to pay any estimated future claims for warranty repairs which franchisees may fail to honor; on service center warranties or reimbursements that are unpaid; and for warranties which are the responsibility of any center which has closed for any reason and not reopened.

*Revenue Recognition.* Franchise arrangements with franchisees that operate in various geographical locations generally provide for initial fees and continuing payments to the Company based upon a percentage of gross sales, as defined in the specific franchisee agreements.

Initial franchise fees are due immediately upon execution of the franchise agreement. The franchise fee is fully earned and recognized by the Company upon execution of the franchise agreement.

Royalty income is recorded and recognized weekly based upon a percentage of gross sales. Among other things, franchisees are provided training, technical support, advisory services, and advertising and promotional tools, as well as protection against trademark, service mark and patent infringements.

(Continued)

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

## NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Concluded)

**Income Taxes.** Effective for the period commencing July 1, 2010, with the consent of its then stockholders', the Company elected under the Internal Revenue Code to be taxed as an S corporation. As a result of the election, the Company filed as an S corporation for the periods ended December 31, 2011 and 2010. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income.

Accounting principles generally accepted in the United States of America require the Company's management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other tax authorities. The Company's management has analyzed the tax positions taken by the Company, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by the Internal Revenue Service or other tax authorities, generally for three years after the tax returns are filed; however, there are currently no audits for any tax periods in progress.

The Company may make a distribution to its stockholders in 2012 in connection with such stockholders' respective income tax liabilities incurred for 2011 as a result of the Company's Subchapter S income tax status.

**Reclassification.** Certain amounts in the 2010 financial statements have been reclassified in order to conform with the 2011 presentation.

## NOTE 2 – CASH

The portion of funds restricted for the benefit of the National Creative Marketing Fund was \$61,554 and \$77,688 as of December 31, 2011 and 2010, respectively.

## NOTE 3 – NOTE PAYABLE

Long-term debt is as follows as of December 31:

	2011	2010
Note payable to the former majority stockholder, bearing interest at 13.00% payable in sixty monthly installments of \$1,493, including interest; the note is secured by the Company's security interest in the assets of two transmission centers.	\$ 51,104	\$ 61,444
Redemption note payable to former stockholders bearing interest at 6% payable at varying amounts including principal and interest, maturing in July 2028. The note is personally guaranteed by the majority stockholder.	1,345,164	1,444,966
	1,396,268	1,506,410
Less: Current portion	117,003	109,449
	<u>\$ 1,279,265</u>	<u>\$ 1,396,961</u>

(Continued)

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

## NOTE 3 – NOTE PAYABLE (Concluded)

Approximate maturities of long-term debt are as follows as of December 31, 2011:

December 31	Amount
2012	\$ 117,000
2013	116,000
2014	133,000
2015	135,000
2016	133,000
Thereafter	762,000
	<u>\$ 1,396,000</u>

Monthly obligations under the stock redemption note and the stock purchase note are approximately \$22,500. The interest only payments related to the stock purchase note are accounted for as distributions to the majority stockholder until the stock redemption note is fully paid in accordance to the terms disclosed above.

## NOTE 4 – OPERATING LEASES

The Company leases corporate office headquarters under an agreement with the former majority stockholders under a non-cancelable operating lease expiring June 30, 2013, with monthly payments of approximately \$9,300, plus real estate taxes. Rent expense was approximately \$114,000 and \$57,000 for the year ended December 31, 2011 and the six month period ended December 31, 2010, respectively, and is included in operating expenses.

Minimum rental commitments under this lease are approximately as follows as of December 31, 2011:

Year Ending December 31	Amount
2012	\$ 114,000
2013	57,000
	<u>\$ 171,000</u>

The Company leases equipment under a non-cancelable operating lease expiring July 20, 2012, with monthly payments of approximately \$590. Rent expense was approximately \$6,000 and \$4,000, for the year ended December 31, 2011 and the six month period ended December 31, 2010.

## MORAN INDUSTRIES, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Concluded)

## NOTE 5 – RELATED-PARTY TRANSACTIONS

The former majority stockholders of the Company are the majority stockholders in Transmission City, Inc. Related-party transactions included on these consolidated financial statements are as follows:

	As of and for the Year Ended December 31, 2011	As of and for the Six Months Ended December 31, 2010
Accounts receivable due from Transmission City, Inc. at the end of the period	\$ 178,508	\$ 313,271
Notes receivable due from Transmission City, Inc. at the end of the period	\$ 301,663	\$ 301,663
Fees paid to board of directors	\$ -	\$ 1,687

## NOTE 6 – COMMITMENTS AND CONTINGENCIES

**Litigation.** In the ordinary course of business, there may be various claims or lawsuits brought by or against the Company. Management is not aware of any claims or lawsuits that could materially affect the consolidated financial position, results of operations, or liquidity of the Company.

**Warranty Liability.** The Company accrues an estimate of its exposure to warranty claims based on franchisees payments to the warranty fund. Changes in the Company's warranty liability for the respective periods ended December 31 were as follows:

	Year Ended December 31, 2011	Six Months Ended December 31, 2010
Warranty accrual, beginning of period	\$ 183,000	\$ 195,000
Warranty funds collected	12,000	6,000
Warranty funds reimbursed	( 15,000)	( 18,000)
Warranty accrual, end of period	\$ 180,000	\$ 183,000

## NOTE 7 – SUBSEQUENT EVENTS

The Company's management has evaluated all known subsequent events from December 31, 2011 through February 25, 2012, the date the accompanying consolidated financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period.

**EXHIBIT D**

**COMPLIANCE CERTIFICATION**

The date on which I received a Franchise Disclosure Document was \_\_\_\_\_, 20\_\_\_\_.  
Franchisee's Initials \_\_\_\_\_

The date when I received a fully completed copy (other than signatures) of the Franchise Agreement I later signed was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

The earliest date on which I signed the Franchise Agreement or any other binding document (not including the Receipt page) was \_\_\_\_\_, 20\_\_\_\_.  
Franchisee's Initials \_\_\_\_\_

The earliest date on which I delivered cash, check or other consideration to Moran Industries, Inc. d/b/a Moran Family of Brands® ("Franchisor") or any other person or company was \_\_\_\_\_, 20\_\_\_\_. Franchisee's Initials \_\_\_\_\_

**Representations:**

No promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise have been made to or with me with respect to any matter (including but not limited to any representations or promises regarding advertising (television or otherwise), marketing, site location, operational assistance or otherwise) nor have I relied in any way on any such except as expressly set forth in the Franchise Agreement or written addendum signed by me and the President of Franchisor except as follows:

\_\_\_\_\_  
\_\_\_\_\_. (If none, the prospective franchisee shall write "NONE" in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

No oral, written or visual claim or representation, promise, agreement, contract, commitment, understanding or otherwise which contradicted, expanded upon or was inconsistent with the Disclosure Document or the Franchise Agreement was made to me by any person or entity, except as follows:

\_\_\_\_\_  
\_\_\_\_\_. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

No oral, written or visual claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) was made to me which contradicted, expanded upon or was inconsistent with the disclosure document by any person or entity, except as follows:

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

\_\_\_\_\_. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

No contingency, condition, prerequisite, prior requirement, proviso, reservation, impediment, stipulation, provision or otherwise exists with respect to any matter (including but not limited to obtaining financing, selection, purchase, lease or otherwise of a site, operational matters or otherwise) and/or with respect to my fully performing all of my obligations under the Franchise Agreement and/or any other documents to be executed by me nor have I relied in any way on any such, except as expressly set forth in a writing signed by me and the President of Franchisor, except as follows:

\_\_\_\_\_  
\_\_\_\_\_. (If none, the prospective franchisee shall write NONE in his/her own handwriting and initial same.) Franchisee's Initials \_\_\_\_\_

I hereby understand that my initial franchise fee is not refundable.  
Franchisee's Initials \_\_\_\_\_

Except as expressly set forth in the disclosure document, Franchisor does not make or endorse nor does it allow any employee or representative to make or endorse any oral, written, visual or other claim or representation (including but not limited to charts, tables, spreadsheets or mathematical calculations) which states or suggests any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained) with respect to this or any other Franchise, whether made on behalf or for Franchisor, any Franchisee or other individual and expressly disclaims any such information, data or results.

In addition, Franchisor does not permit any promises, agreements, contracts, commitments, understandings, "side-deals", options, rights-of-first-refusal or otherwise or variations of, changes in or supplements to the Franchise Agreement or the existence of any contingencies or conditions to Franchisee's obligations except by means of a written Addendum signed by Franchisee and Franchisor.

If any such representations, "side-deals", contingencies or otherwise have been made to you by any person or otherwise exist, immediately inform the President of Franchisor.

The prospective franchisee understands and agrees to all of the foregoing and certifies that all of the above statements are true, correct and complete.

FRANCHISEE

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

## EXHIBIT E

### FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MORAN INDUSTRIES, INC., an Illinois corporation d/b/a Moran Family of Brands®, with its principal office in Midlothian, Illinois, hereinafter called FRANCHISOR, and \_\_\_\_\_, whose address is \_\_\_\_\_, hereinafter called FRANCHISEE;

#### WITNESSETH:

WHEREAS, FRANCHISOR has expended time, effort, and substantial sums of money for the benefit of itself and its franchisees to acquire experience, knowledge and a reputation with the public with respect to the operation of specialized transmission service centers for automobiles, which centers sell automotive products and provide specialized automotive services in a unique and distinctive manner; and

WHEREAS, FRANCHISOR has built up valuable goodwill throughout portions of the United States in the names of "MR. TRANSMISSION®" and "MULTISTATE TRANSMISSIONS®" and in various products which are sold under the name of "MR. TRANSMISSION" and "MULTISTATE TRANSMISSIONS;" and

WHEREAS, the success of MR. TRANSMISSION and MULTISTATE TRANSMISSIONS and all authorized MR. TRANSMISSION and MULTISTATE TRANSMISSIONS franchisees depends upon the continuation of this goodwill and upon the continued operation of specialized transmission service centers adhering to the highest standards of business practices on the part of MR. TRANSMISSION and MULTISTATE TRANSMISSIONS franchisees, and the maintenance by franchisees of efficient, prompt and courteous service to the public; and

WHEREAS, FRANCHISOR is the owner of the entire right, title and interest, together with all goodwill connected therewith, in and to its widely recognized trade names, trademarks, and service marks, know-how and information, including trade secrets, relating to the operation of specialized transmission service centers; and

WHEREAS, FRANCHISOR is engaged in the business of granting franchises/licenses for the operation of specialized transmission service centers (herein sometimes called "MR. TRANSMISSION SERVICE CENTER[S]" or "MULTISTATE TRANSMISSIONS SERVICE CENTER[S]" or "Center[s]" or "Service Center[s]") together with the right to use the know-how, decor and color scheme, trademarks, service marks, and trade names owned and developed by FRANCHISOR; and

WHEREAS, FRANCHISEE desires to obtain a license from FRANCHISOR for the use of said know-how, trade names, trademarks, service marks, and other rights in connection with the business of operating a MR. TRANSMISSION SERVICE CENTER or a MULTISTATE TRANSMISSIONS SERVICE CENTER in accordance with the highest business and ethical standards; and

WHEREAS, FRANCHISEE recognizes and acknowledges the unique relationship of each franchisee to the other, and to prospective franchisees and to the FRANCHISOR and further recognizes and acknowledges the mutual benefits to be derived through the maintenance of certain uniform standards and policies set by the FRANCHISOR and derived through open communication and disclosures with the other franchisees and with the FRANCHISOR, and in reliance of each upon the other for the faithful performance of the terms and conditions of this agreement; and

WHEREAS, FRANCHISEE represents that its execution of this Agreement will not violate any other agreement or commitment to which FRANCHISEE is a party; and

WHEREAS, FRANCHISEE has made a full and complete independent investigation of this opportunity and consulted with any professionals deemed necessary by FRANCHISEE in FRANCHISEE's discretion; and

WHEREAS, FRANCHISOR has made no promises or inducements to FRANCHISEE not reflected in this Franchise Agreement, including but not limited to, projections or promises of any actual or prospective profits of this opportunity.

NOW, THEREFORE, in consideration of the promises and mutual agreements herein contained, FRANCHISOR and FRANCHISEE agree as follows:

1. GRANT. FRANCHISOR grants to FRANCHISEE, and FRANCHISEE hereby accepts a franchise, together with the right to use FRANCHISOR's know-how, trade names, trademarks and service marks for: **(select one)**

☐ a MR. TRANSMISSION SERVICE CENTER; or  
☐ a MULTISTATE TRANSMISSIONS SERVICE CENTER

The MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER shall be operated from the following location:

If the above-described location is a market area rather than a street address for the exact premises on which the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER shall actually be constructed or operated, then FRANCHISEE must acquire an exact location approved in writing by FRANCHISOR within the said market area and must commence operations of the Service Center all within a reasonable time, not to exceed one (1) year from the date hereof. FRANCHISOR may, however, in FRANCHISOR's sole discretion extend such one (1)-year period. Such extension, if granted, shall be in writing. FRANCHISOR's approval of an exact location selected by FRANCHISEE shall not be unreasonably withheld. This Agreement shall, at FRANCHISOR's option, terminate if FRANCHISEE has not acquired an exact location approved in writing by FRANCHISOR and operations at an exact location within the market area described above have not been commenced by FRANCHISEE, all within said one (1)-year period, unless extended as described above.

Upon approval by FRANCHISOR of the exact location, it is agreed that the market area designated above in this Section shall then read as if the exact location and address were inserted herein at the time of the execution of this Agreement.

If the above-described location is an exact location which is to be leased by FRANCHISEE, FRANCHISEE further acknowledges that this Agreement is contingent upon the execution by all parties named therein of the attached Lease and Addendum to Lease Agreement, identified as Exhibit "1" and incorporated herein by reference.

The MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER shall be operated under the terms and conditions of this Franchise Agreement solely at the location described herein or such other exact location as is approved by FRANCHISOR and at no other location during the term of this Agreement and any renewals. Relocation of the Center shall be selected and approved, including but not limited to completion of a market analysis and demographics study, in writing by FRANCHISEE and FRANCHISOR. FRANCHISOR reserves the right to grant additional franchises in the same city or county where said Center is situated, subject to the rights granted to FRANCHISEE in Section 2 below.



If the above-described location is not a market area, but an exact location containing a street address or other precise description of the location of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, then FRANCHISEE must commence operations of the Center within one hundred twenty (120) days from the date hereof. If FRANCHISEE fails to commence operations within said one hundred twenty (120)-day period, this Agreement may, at FRANCHISOR's option, be terminated.

FRANCHISEE acknowledges that the Franchise Fee paid to FRANCHISOR has been earned by FRANCHISOR and FRANCHISOR shall not be obligated under any circumstances to refund said Franchise Fee.

FRANCHISEE further understands and agrees that FRANCHISEE is solely responsible for the acquisition of a location for the operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder and that FRANCHISOR's sole duty and responsibility hereunder shall be to approve or disapprove any location submitted by FRANCHISEE. FRANCHISEE acknowledges hereby that it has not been guaranteed or promised that FRANCHISOR will seek or obtain any such location; that FRANCHISOR has not guaranteed or promised FRANCHISEE that any such location submitted to FRANCHISOR will be approved; and that FRANCHISEE has been fully informed by FRANCHISOR, and understands and agrees hereby, that obtaining such approved location is FRANCHISEE's sole responsibility, and not the responsibility of FRANCHISOR.

2. LIMITED-EXCLUSIVITY. FRANCHISOR shall not open another company-owned or other franchised MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER within a three (3)-mile radius of FRANCHISEE's location. No exclusive area or territory is granted otherwise hereunder. Except for within the three (3)-mile radius of FRANCHISEE's location, FRANCHISOR shall have the right, at any time, to sell, develop or establish company-owned Service Centers, convert any existing automotive repair facility to a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, or to franchise additional Service Centers in any location FRANCHISOR deems desirable, subject to the procedures described below.

If FRANCHISOR elects to increase the number of Service Centers in the city in which FRANCHISEE's Service Center is located, FRANCHISOR shall notify FRANCHISEE in writing. This written notice shall state the amount of franchise fee to be charged by FRANCHISOR in connection with the development of the additional MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER(S) within said city. FRANCHISEE may apply for the franchise to be established within said city, but will not have the exclusive right to the franchise. FRANCHISOR shall evaluate FRANCHISEE's application and, in its sole discretion, either approve or disapprove purchase of the new franchise or franchises by the FRANCHISEE. If FRANCHISEE is approved for the purchase of such additional franchise or franchises, FRANCHISEE shall, within ten (10) days after FRANCHISEE receives notice of such approval, execute FRANCHISOR's then current Franchise Agreement and pay to FRANCHISOR the then current franchise fee for the additional MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS (or such other fee as the parties may have agreed to in writing).

In the event FRANCHISOR acquires a chain of established businesses similar to or competitive with MR. TRANSMISSION or MULTISTATE TRANSMISSIONS, and a location already exists in FRANCHISEE's area, FRANCHISOR reserves the right to keep that location open, either by operating it or selling it to another franchisee.

### 3. TERM.

(a) Unless terminated earlier in accordance with the terms described herein, this Agreement and the franchise granted hereunder shall have a term of twenty (20) years from the date hereof. At the expiration of such twenty (20)-year period the franchise shall be automatically renewed on the same terms and conditions set forth herein for one (1) additional twenty (20)-year term, unless:

(i) FRANCHISEE notifies FRANCHISOR in writing not less than six (6) months prior to the expiration of the initial term that FRANCHISEE does not wish to renew the franchise; or

(ii) FRANCHISOR notifies FRANCHISEE prior to the expiration of the initial term that the franchise shall be renewed on the terms and conditions described in FRANCHISOR's then current Franchise Agreement and provides FRANCHISEE with a copy of same for FRANCHISEE's execution.

(b) Notwithstanding the above, however, FRANCHISOR shall have the option to refuse to renew FRANCHISEE's franchise, unless all of the following conditions are met:

- (i) FRANCHISEE shall not be in default of any provision of this Agreement or any amendment or successor hereto or any other agreement between FRANCHISEE and FRANCHISOR or its subsidiaries and affiliates, and FRANCHISEE shall have fully and faithfully performed all of its obligations throughout the term hereof; and
- (ii) If FRANCHISOR requires, FRANCHISEE shall execute FRANCHISOR's then current franchise agreement, which agreement shall supersede in all respects this Agreement, and pay any and all renewal fees which may be imposed by FRANCHISOR; provided, however, that FRANCHISEE shall not have any additional renewal rights; and provided further that any royalty fees shall be in accordance with the rate then in effect for new franchisees; and
- (iii) FRANCHISEE will complete to FRANCHISOR's satisfaction all maintenance, refurbishing, renovation, modernizing and remodeling of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER as FRANCHISOR shall reasonably require so as to reflect the then current image of a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER; and
- (iv) FRANCHISEE shall be current in the payment of all obligations to FRANCHISOR and any of its affiliates or subsidiaries; and
- (v) Prior to renewal, FRANCHISEE, and/or FRANCHISEE's manager(s) shall at FRANCHISEE's expense, attend and successfully complete to FRANCHISOR's reasonable satisfaction any retraining program FRANCHISOR may require; and
- (vi) FRANCHISOR shall be satisfied as to the operational and financial good standing both of FRANCHISEE and any MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS operated by FRANCHISEE pursuant to a license from FRANCHISOR.

4. CONSTRUCTION. If the building in which the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER is to be located is to be constructed subsequent to the execution hereof, FRANCHISOR shall furnish FRANCHISEE with its standard plans and specifications for MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS upon written request of FRANCHISEE. Before commencing construction FRANCHISEE shall, at its expense, furnish to FRANCHISOR a copy of FRANCHISEE's plans and specifications for construction of the Service Center in proposed final form, which plans and specifications shall have been adopted from FRANCHISOR's standard plans and specifications and which, if approved, shall not thereafter be changed without FRANCHISOR's prior written consent.

5. SIGNS. FRANCHISEE recognizes that uniformity in the image projected to the public through signs is essential in creating goodwill among the public for MR. TRANSMISSION and MULTISTATE TRANSMISSIONS SERVICE CENTERS on a national basis. FRANCHISEE agrees to comply strictly with the specifications provided by FRANCHISOR from time to time for all signs used on the premises.

FRANCHISOR will make available to FRANCHISEE for purchase signs meeting FRANCHISOR's specifications, but FRANCHISEE shall not be obligated to purchase signs from FRANCHISOR. FRANCHISOR reserves the right to modify any specifications in accordance with any applicable local, city, county, state and/or federal codes, laws, rules, regulations, ordinances and/or requirements. Such modifications may include size, construction, material, lighting, etc.

#### 6. TRAINING AND SITE LOCATION ASSISTANCE.

(a) Prior to the public opening of its Service Center, FRANCHISEE shall pay to FRANCHISOR a nonrefundable training fee in the amount of Five Thousand Dollars (\$5,000.00) and FRANCHISEE shall attend and satisfactorily complete a mandatory training program conducted by FRANCHISOR. FRANCHISOR's mandatory training program consists of the following components:

- (i) One (1) week of franchise owner/operator training;
- (ii) One (1) week of center management training; and
- (iii) One (1) week of in-center "field" training.

(b) Franchise owner/operator training and center management training shall be conducted by FRANCHISOR at FRANCHISOR's headquarters in Midlothian, Illinois or at another location designated by FRANCHISOR. In-center "field" training shall be conducted by FRANCHISOR or a designated representative of FRANCHISOR at a currently operating MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER designated by FRANCHISOR.

(c) FRANCHISEE shall attend and complete all components of FRANCHISOR's training program to FRANCHISOR's reasonable satisfaction prior to the opening of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. Space permitting, and at FRANCHISEE's request, FRANCHISOR shall make its training program available to up to two (2) additional attendees who are employed by, or associated with FRANCHISEE at no additional charge. An additional attendee may be limited to attending those portions of FRANCHISOR's training program which FRANCHISOR deems appropriate depending on the nature of the attendee's association with FRANCHISEE.

(d) In the event that the franchise granted hereunder to FRANCHISEE is granted to two (2) or more individuals as co-owners or in partnership, or who have formed a limited liability company or corporation for the ownership and operation of the Service Center, then such owners must designate an owner who will be primarily responsible for the supervision and management of the day-to-day operations of the Service Center on a full-time basis. The designated full-time owner must have an equity interest in the franchise license and ownership of the Service Center that is equal to at least thirty-three and one third percent (33⅓%) and furthermore he or she must attend and complete FRANCHISOR's training program to FRANCHISOR's reasonable satisfaction prior to the opening of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER.

(e) FRANCHISEE further agrees that if FRANCHISEE designates another individual, who will manage the sales and/or production of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, or otherwise function as a manager, then FRANCHISEE shall promptly notify FRANCHISOR. Further, FRANCHISEE shall be required to have such manager attend the one (1)-week component of FRANCHISOR's training program which is dedicated to center management training. If FRANCHISEE appoints a manager prior to the opening of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed herein, then the manager shall join FRANCHISEE at FRANCHISOR's training program after FRANCHISEE completes franchise owner/operator training and the manager shall attend the one (1)-week center management training with FRANCHISEE at no additional charge to FRANCHISEE. If FRANCHISEE appoints a manager after the opening of the Service Center, or if FRANCHISEE replaces a manager, the new manager must attend and complete such training to FRANCHISOR's reasonable satisfaction the next time such training is offered. FRANCHISOR reserves the right to charge a fee to provide training to a replacement manager.

Notwithstanding the requirements of this Section 6(e), if a designated manager has substantial prior experience within the system, FRANCHISOR may, in its sole discretion, grant FRANCHISEE a waiver of the requirement that FRANCHISEE have the manager attend the center management training component of FRANCHISOR's training program.

(f) In the event the franchise is not operational within one hundred eighty (180) days after the completion of FRANCHISOR's training program by the appropriate individual(s), in addition to any other rights FRANCHISOR may have under this Agreement for such failure to open, said individual(s) must re-attend and complete to FRANCHISOR's reasonable satisfaction such portions of the training program as FRANCHISOR deems necessary.

(g) FRANCHISEE shall also attend such further training and instructional courses, together with any meetings, as FRANCHISOR may from time to time determine to be necessary in order to ensure that the FRANCHISEE continues to provide high standards of expertise and service to the public.

(h) FRANCHISOR's training courses shall take place at such location as FRANCHISOR shall designate. FRANCHISEE shall be responsible for its own expenses in attending such courses (and the expenses of its additional attendees, if applicable), including, without limitation, travel, meals, lodging and transportation expenses.

(i) FRANCHISEE acknowledges that attendance at FRANCHISOR's training programs is important to the success of both FRANCHISOR and FRANCHISEE, and FRANCHISEE agrees to attend these programs. The failure of FRANCHISEE to attend any required training course or meeting may result in the termination of this Agreement.

(j) FRANCHISOR may, upon request, and according to FRANCHISOR's established procedure, and based solely on its scheduling requirements, visit any site upon which FRANCHISEE proposes to establish its MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER for the sole purpose of approving said site for said purpose; provided, however, that the responsibility for selecting a location acceptable to FRANCHISOR is the sole responsibility of FRANCHISEE and by providing such site approval, FRANCHISOR does not guarantee, promise or warrant in any way that FRANCHISEE will be successful at a site which has been approved by FRANCHISOR. It is expressly agreed that such site approval does not affect FRANCHISEE's obligations for commencement of operations in accordance with Section 1 hereof and shall not be construed as, in any way, giving rise to a claim by FRANCHISEE for refund of any monies paid by FRANCHISEE to FRANCHISOR, or any other such claim, including, but not limited to, failure of consideration, estoppel or that FRANCHISEE should not be required to open its Service Center as required in this Franchise Agreement.

(k) FRANCHISOR may, at FRANCHISOR's sole discretion as to time after the opening of FRANCHISEE's Service Center, provide a qualified representative of FRANCHISOR who shall, at FRANCHISOR's expense, assist FRANCHISEE in the operation of FRANCHISEE's Service Center for such period of time as deemed necessary by FRANCHISOR. After the initial opening, FRANCHISOR shall continue to provide supervisory assistance to FRANCHISEE, at FRANCHISOR's expense, at such times and in such manner as the FRANCHISOR shall consider advisable or appropriate. In order to facilitate this assistance and increase its effectiveness, the FRANCHISEE shall allow a representative or representatives of the FRANCHISOR on FRANCHISEE's premises at any time during normal working hours or at any time FRANCHISEE or an employee of FRANCHISEE is on the premises. Further, FRANCHISEE shall make available to such representative(s) any information requested and permit said representative(s) to inspect the premises, equipment, inventory, supplies, and merchandising methods, as well as to make such tests or surveys as the representative(s) considers necessary. FRANCHISEE understands and agrees that FRANCHISOR does not promise, warrant or guarantee any such visits or the number thereof, and acknowledges hereby that any such visits will be at the sole and absolute discretion of FRANCHISOR as to timing and number, and that no minimum number of visits is required hereby.

(I) FRANCHISOR may, at its option, schedule conferences from time to time to which all franchisees or their representatives shall be invited. FRANCHISEE understands the importance of such meetings scheduled by the FRANCHISOR. These conferences will normally cover such topics as sales and marketing, financial management, automotive technical updates, performance standards, advertising programs, and procedures. During the term of this Agreement FRANCHISEE shall be required to attend and agrees it shall attend any and all such conferences scheduled by FRANCHISOR. All such conferences shall be conducted or hosted at the expense of FRANCHISOR, but FRANCHISEE shall be responsible for its own expenses for transportation, food, lodging and other costs in attending said conferences.

7. AGREEMENT OF FRANCHISEE WITH REGARD TO FRANCHISOR'S PROPRIETARY MARKS. Throughout this Franchise Agreement, "proprietary marks" refers to the trademarks "MR. TRANSMISSION" and "MULTISTATE TRANSMISSIONS" and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, slogans, fascia, drawings and other commercial symbols as FRANCHISOR designates or may designate in the future to be used in connection with MR. TRANSMISSION and MULTISTATE TRANSMISSIONS SERVICE CENTERS. FRANCHISEE hereby acknowledges the validity of the proprietary marks and also acknowledges that the proprietary marks are the property of FRANCHISOR. FRANCHISEE shall commit no acts which in any respect infringe upon, harm or contest the right of FRANCHISOR in the proprietary marks or in any other mark or name which incorporates the name "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS." FRANCHISEE agrees to purchase all materials with FRANCHISOR's proprietary marks from FRANCHISOR or have all materials with FRANCHISOR's proprietary marks approved by FRANCHISOR. FRANCHISEE shall give such notices of trademark and service mark registrations as FRANCHISOR specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER.

All the rights and privileges granted to FRANCHISEE herein are for FRANCHISEE's enjoyment at the location described in Section 1 and nowhere else, and FRANCHISEE shall never (either during the term of this Franchise Agreement or after its expiration and nonrenewal, or termination) use or attempt to use the name "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS" or "MR. TRANSMISSION SERVICE CENTER" or "MULTISTATE TRANSMISSIONS SERVICE CENTER" or any variation of such names or any other trade name, trademark or service mark of FRANCHISOR in any manner whatsoever, except as authorized by FRANCHISOR in connection with the operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER herein licensed, including, but not limited to, the use of any telephone numbers listed in any directory under FRANCHISOR's trade names, trademarks or service marks, use of advertising in any form which states, in any way, that any operation was formerly connected with or known as MR. TRANSMISSION or MULTISTATE TRANSMISSIONS, or the representation to any person or entity that the business being conducted therein is the same or similar to that which operated previously.

The Service Center operated by FRANCHISEE under the terms of this Franchise Agreement and at the location specified herein (or if no location is specified herein, at the location where FRANCHISEE opens or operates any MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER for any period of time whatsoever) shall be conducted under the name "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS" (as applicable) and under no other name. However, FRANCHISEE shall not use the trademark "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS" in its firm name or corporate name, notwithstanding the fact that FRANCHISOR grants to the FRANCHISEE the right to incorporate in Section 23(f) of this Agreement. Further, FRANCHISEE agrees not to register any domain names or establish any websites using any of the FRANCHISOR's proprietary marks, except as permitted in Section 19(b) of this Agreement.

FRANCHISEE recognizes that its use of the proprietary marks, or any other mark or name that incorporates the words "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS," inures to the benefit of FRANCHISOR, and that any goodwill arising from such use by FRANCHISEE belongs to FRANCHISOR and shall revert to FRANCHISOR in the event that this Agreement expires and is not

renewed or is terminated for any reason. If it becomes advisable at any time in FRANCHISOR's sole discretion, FRANCHISOR may require FRANCHISEE to modify or discontinue the use of any previously authorized proprietary mark and/or authorize and require FRANCHISEE to use one or more additional or substitute proprietary marks. In such cases, upon notice of the modification, discontinuance, substitution or addition of a proprietary mark, FRANCHISEE will be responsible for the tangible costs (such as replacing signs and materials) associated therewith. FRANCHISEE's use of any additional, substitute or modified proprietary marks shall be subject to all of the same terms and conditions within this Franchise Agreement which govern FRANCHISEE's use of FRANCHISOR's proprietary marks.

8. UNIFORM STANDARDS. In order to protect the goodwill associated with the FRANCHISOR's name and to prevent any deception to the public, the FRANCHISEE shall operate its business in accordance with the standards and requirements of quality, appearance, cleanliness, and service as are from time to time prescribed by the FRANCHISOR. The FRANCHISEE shall maintain the interior and exterior of the premises in a neat, sanitary, orderly and clean condition satisfactory to FRANCHISOR, and shall make such repairs and renovations as FRANCHISOR may reasonably request including, without limitation, repair and painting of the exterior and interior of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. In the event that the FRANCHISEE fails to comply with FRANCHISOR's standards within ten (10) days after written notice thereof from FRANCHISOR, FRANCHISOR may, notwithstanding any other rights FRANCHISOR may have pursuant to this Agreement, have such repair, painting or other renovation done at FRANCHISEE's expense. FRANCHISEE will install and maintain all lighting, including that for the interior and exterior of the building, in strict accordance with FRANCHISOR's specifications; FRANCHISEE shall also perform in all respects its obligations in any Lease of the premises to which FRANCHISEE is a party.

In order to ensure the continued uniformity of operation, FRANCHISEE shall use, at FRANCHISEE's expense, only such repair order forms and sales invoice forms as are furnished by the FRANCHISOR.

FRANCHISEE recognizes that the continuous and daily availability of products and services to the public is essential to the adequate promotion of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS and that any failure to provide such products and services affects the goodwill of FRANCHISOR both locally and nationally. Therefore, FRANCHISEE agrees (a) to maintain adequate inventory (as more fully described herein) and trained personnel to serve the public; and (b) except to the extent that any law may require otherwise, to keep open and in normal operation the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER for and during the hours of 8:00 a.m. to 5:30 p.m. Monday through Friday and 9:00 a.m. to 1:00 p.m. on Saturday, or for such other hours as may be specified by FRANCHISOR, which hours shall not be unreasonable in accordance with the standards of the transmission repair industry. FRANCHISEE shall not be required to operate its business on New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving or Christmas. In a market area with multiple Service Centers, additional hours and holidays shall be determined by the majority of the Service Centers in the market area, subject to FRANCHISOR's approval.

FRANCHISEE further agrees that it will sell or distribute from the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER only such types of products or services as are approved by FRANCHISOR; provided, however, that FRANCHISEE shall have the sole right to determine the prices for resale to its patrons for such products or services. FRANCHISEE shall purchase its parts and inventory from FRANCHISOR or such approved vendors as are identified in Section 15.

Without limiting any of the language elsewhere in this Agreement, FRANCHISEE agrees at all times to adhere to a high moral and ethical standard of conduct, to require the same adherence from its employees and to maintain the premises and all equipment, fixtures and facilities in such a manner as required by municipal, state and county regulations. FRANCHISEE further agrees to provide all customers of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER efficient, courteous and high quality service to the end that the Service Center shall help create goodwill among the public for MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS as a whole, and that FRANCHISOR, FRANCHISEE, and each franchise holder shall be benefited and the

public assured of uniform, efficient, courteous and easily recognizable high quality service on a standardized national basis. Towards this end, the employees of FRANCHISEE shall at all times during said employment wear only uniforms which meet the exact requirements of FRANCHISOR, present a neat and clean appearance and render competent, sober, honest and courteous service to FRANCHISEE's patrons.

FRANCHISEE agrees that it shall thoroughly investigate the employment history of all employees hired to work for FRANCHISEE and shall not hire any person who has been convicted of any felony, larceny, or other acts of moral turpitude. FRANCHISEE agrees to immediately discharge any employee upon notification from FRANCHISOR that said employee has been convicted of any felony involving fraud, embezzlement, larceny or any other act involving moral turpitude or upon notification by FRANCHISOR that the employee has previously been terminated by FRANCHISOR or any other franchisee of FRANCHISOR because of conduct involving fraud, embezzlement or larceny, or other acts of moral turpitude. Failure to immediately discharge such an employee after the aforesaid notification by FRANCHISOR shall constitute an event of default hereunder. FRANCHISEE (and not the FRANCHISOR) shall be responsible for the hiring, firing, conduct, terms of employment for, and training of its employees.

FRANCHISEE agrees at all times during the term of this Agreement to diligently promote the business of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER and to make every reasonable effort to maximize the sales of its products and services. To this end, as described in Section 6 of this Agreement, FRANCHISEE understands and agrees that FRANCHISEE's actual participation in the operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER shall be on a full-time basis. During the entire term of this Agreement, FRANCHISEE agrees that FRANCHISEE (or the partnership, corporation or limited liability company, if applicable) shall not engage in, participate in, or (except for passive investments) be interested in, any other business, employment, or occupation, and FRANCHISEE shall operate, supervise the day-to-day operations of, and manage the business licensed hereunder on a full-time basis. The FRANCHISEE acknowledges that strict conformity with the standards described in this Section will assist in accomplishing this goal.

FRANCHISEE agrees at all times to follow all rules, policies, procedures, and manuals under Uniform Standards and Operations for the operation of the Service Center according to FRANCHISOR, including but not limited to the following: operating manuals, memoranda, procedural protocols and any periodic updates to the same as may be issued and/or required by FRANCHISOR during the term of this Franchise Agreement.

FRANCHISOR shall have no responsibility or liability whatsoever, in connection with, or for the day-to-day operation of FRANCHISEE's Service Center, and FRANCHISEE agrees at all times to be solely responsible for the day-to-day operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. Further, FRANCHISEE agrees that FRANCHISEE (or an owner if FRANCHISEE is a business entity) shall be responsible for the on-site supervision of FRANCHISEE's Service Center during all business hours and, whenever there is any after hours activity within the Service Center, during non-business hours.

9. VARIANCE. FRANCHISOR has the right to vary standards and specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of a particular site or circumstances, the demographics of a trade area, business potential, existing business practices or any other condition which FRANCHISOR deems to be of importance to the successful operation of any particular MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. As set forth in Section 21(f), FRANCHISEE shall be entitled to an automatic variance if FRANCHISEE's compliance with any law or regulation to which FRANCHISEE or the Service Center are subject requires said variance. FRANCHISEE is solely responsible for investigating and complying with all laws and regulations to which FRANCHISEE and/or the Service Center are subject. FRANCHISOR shall not be required to disclose or grant to FRANCHISEE a like or similar variance hereunder.

10. ADDITIONAL OBLIGATIONS OF FRANCHISOR. FRANCHISOR agrees that it may, in its discretion, in addition to all the obligations hereinabove recited, make available the following services to FRANCHISEE:

(a) Furnish from time to time, at FRANCHISOR's sole discretion, counseling and advisory services and suggestions in the planning and development of FRANCHISEE's business;

(b) At FRANCHISOR's sole discretion, apprise FRANCHISEE from time to time of FRANCHISOR's plans, policies, research, and new developments by means of bulletins, brochures, reports, and at FRANCHISOR's option, by periodic visits of FRANCHISOR's field representatives;

(c) Permit FRANCHISEE to attend, at FRANCHISEE's cost and expense, any national or regional meetings sponsored by FRANCHISOR for other franchise holders;

(d) Conduct from time to time, at FRANCHISOR's sole discretion and expense, research and development into the areas of production and methods of operation, and make the results of this research and development available to FRANCHISEE;

(e) Provide advertising and promotional tools which may be developed from time to time by FRANCHISOR through the MORAN CREATIVE FUND to FRANCHISEE or to the chairman of the local advertising group if one exists in FRANCHISEE's area;

(f) Provide protection of the FRANCHISEE against trademark or service mark infringement as regards any trade name, service mark or trademark of FRANCHISOR, including the institution of suit or complaint when the same is deemed advisable by FRANCHISOR; and

(g) Defend and save harmless FRANCHISEE against all claims which may hereinafter be asserted for service mark or trademark infringement of any of the trademarks or service marks authorized by FRANCHISOR for use by FRANCHISEE.

11. FRANCHISEE FEE. The Franchise Fee is payable upon the execution of this Agreement by FRANCHISEE in full. FRANCHISEE understands, acknowledges and agrees that the Franchise Fee payable hereunder is fully earned by FRANCHISOR upon receipt, is in payment of the franchise granted hereunder, and is not refundable at any time for any reason whatsoever. FRANCHISEE hereby expressly waives any and all rights which it now has or may in the future acquire, in law or equity, to demand the return of all or any part of the Franchise Fee paid hereunder, for any reason whatsoever. FRANCHISOR acknowledges the receipt of Thirty Thousand Dollars (\$30,000.00) from FRANCHISEE as payment of the Franchise Fee hereunder. FRANCHISEE acknowledges and agrees that additional franchise fees, the amount of which shall be established by FRANCHISOR, shall be required if and when franchises for additional locations are granted to FRANCHISEE, and renewal fees may be required in order to renew this Franchise Agreement for the additional term provided for herein.

12. ROYALTY FEE. Following the commencement of operations by FRANCHISEE, FRANCHISEE shall make weekly payments to FRANCHISOR (on or before Friday of each week via ACH debit), of a royalty fee in a sum equal to seven percent (7%) of the gross sales, as hereinafter defined, made by FRANCHISEE during the preceding calendar week.

The expression "gross sales" as used in this Agreement shall consist of all sales of any kind whatsoever made regardless of whether cash payment is actually received by FRANCHISEE at the time of the transaction, including credit card sales and accounts receivable sales, in connection with the exercise of the franchise granted hereunder including, but not limited to, sales of automotive supplies, accessories, gas, oil, repair parts and/or any service or product sold within or without the Service Center premises being operated by the FRANCHISEE under this franchise, excluding intra-company warranty repairs. The term "gross sales" shall not include sales tax, excise tax or other tax with respect to such sales, but shall include "business interruption" insurance payments.



FRANCHISEE shall submit to FRANCHISOR (i) an accurate business report showing the gross sales received by it during the preceding calendar week on such forms as are provided or required by FRANCHISOR at FRANCHISEE's expense, (ii) full payment of all royalty fees due via ACH debit, and (iii) such other forms and/or reports as are specified in Section 13. The preceding items shall be received by FRANCHISOR in the offices of FRANCHISOR no later than Friday of each week. Royalties shall be paid without penalty if received by FRANCHISOR on or before Friday of each week. FRANCHISEE shall pay any and all fees and other charges in connection with this Franchise Agreement (including, without limitation, the continuing franchise fees, royalty fees, creative fund contributions, continuing advertising fees, equipment, supplies and advertising charges, and any applicable late fees and interest charges) by ACH debit, and FRANCHISEE shall undertake all action necessary to accomplish such transfers. If FRANCHISEE fails to pay its royalties as required above, FRANCHISEE shall pay the following late payment charges to FRANCHISOR: (1) a one percent (1%) additional gross sales royalty shall be paid by the FRANCHISEE in any week where the royalty payment is not paid, an additional one percent (1%) gross sales royalty shall accrue against the current week's royalty and the past due royalty, i.e., if late one (1) week, the royalty shall be eight percent (8%); if late two (2) weeks, the royalty shall be nine percent (9%); if late three (3) weeks, the royalty shall be ten percent (10%). At the expiration of the first five (5)-year period and at the expiration of each five (5)-year period thereafter during the term of this Agreement, FRANCHISOR, may adjust said royalty fee, provided, that said royalty fee will not exceed ten percent (10%) of gross sales at any time during the term of this Agreement.

FRANCHISOR, FRANCHISOR's accounting firm, other representatives who may be designated by FRANCHISOR, or other duly authorized agents of FRANCHISOR, shall have the right during business hours to audit or examine, without limitation, at FRANCHISOR's expense, the repair orders, receipts, bank records, accountant's or bookkeeper's records, credit bureau records, books, business machines, records, tax returns and other returns of FRANCHISEE; and FRANCHISEE agrees to keep complete and accurate books and records of its operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. FRANCHISEE shall immediately remit to FRANCHISOR any royalty fees or other amounts which such audit reveals are owed to FRANCHISOR plus interest on any past due amounts owed to FRANCHISOR at the highest rate allowed by law from the date any such royalties or other amounts became due. In the event that any such audit discloses an error in the computation of the total gross sales made from or on the premises in excess of two percent (2%), the FRANCHISEE shall also pay or reimburse FRANCHISOR for any and all expenses incurred by FRANCHISOR in connection with the audit, including, but not limited to, legal and accounting fees. This right of inspection by FRANCHISOR, its accountants or authorized agents shall continue for a period of one hundred eighty (180) days after expiration and nonrenewal, or termination of this Agreement by either party.

In the event any audit discloses that FRANCHISEE has any repair orders which are missing or unaccounted for, FRANCHISEE agrees to pay the then current royalty fee/percentage on each such repair order based upon an amount equal to Two Thousand Dollars (\$2,000.00) for each repair order sale or the amount equal to the average repair order for the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, whichever is greater, the same as if such repair order or orders had been submitted to FRANCHISOR with such amount thereon.

In the event that FRANCHISEE is more than ten (10) days late in paying any amount owed to FRANCHISOR, other than royalty fees, interest shall accrue on said past due amount at the highest rate allowed by law from the date payment was due. All reports required to be furnished pursuant to this Section and Section 13 must be signed by the FRANCHISEE.

FRANCHISOR or its designated agent shall have the right at all times to conduct investigations of the operations of FRANCHISEE, at FRANCHISOR's expense. In conducting such investigations FRANCHISEE shall permit FRANCHISOR or FRANCHISOR's designated representative complete access to its books, business machines, records, premises and operations, and shall allow FRANCHISOR to interview FRANCHISEE's employees. In the event that such investigation reveals that the FRANCHISEE has committed any fraudulent or illegal act with respect to the operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, the FRANCHISOR, in

addition to all other rights and remedies it may have pursuant to this Agreement, shall be reimbursed by FRANCHISEE for the expense of the investigation.

Should any of the FRANCHISEE's payments to FRANCHISOR via ACH debit be declined (or checks be returned in the event that FRANCHISOR authorizes a payment by check) by FRANCHISEE's bank for any reason whatsoever (or in the event FRANCHISOR authorizes FRANCHISEE to make a payment by check, should the check be returned by FRANCHISEE's bank), FRANCHISEE shall pay FRANCHISOR, in addition to any other charges or expenses incurred by FRANCHISOR, a Fifty Dollar (\$50.00) declined ACH debit (or returned check) charge. Should FRANCHISOR receive two (2) or more ACH debits (or checks) from FRANCHISEE that are declined (or returned) by FRANCHISEE's bank based on insufficient funds or a stop payment within any twelve (12)-month period during the term of this Agreement, then in addition to any other rights FRANCHISOR has, FRANCHISOR may require FRANCHISEE to make all further payments to FRANCHISOR by cashier's check or money order.

13. REPORTS. In addition to the reports required pursuant to the preceding Section, FRANCHISEE agrees to furnish FRANCHISOR with the following reports: (i) a weekly report, signed by FRANCHISEE, setting forth the amount of all deposits, repair orders and sales invoices for every type and nature of repair and sale, (FRANCHISEE shall attach to this report copies of all deposit slips, repair orders and sales invoices); (ii) a monthly report, in a form specified by FRANCHISOR, signed by FRANCHISEE, containing a monthly balance sheet and profit and loss statement as well as a monthly numerical accounting, of all repair orders; such report shall be furnished to FRANCHISOR within thirty (30) days of the end of each calendar month; and (iii) an annual financial statement covering the operation of FRANCHISEE's MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, such financial statement to be prepared by an independent public accountant and to be certified as to its correctness by the FRANCHISEE, or in the event the FRANCHISEE is a corporation or limited liability company, by an officer of the FRANCHISEE. Said financial statement shall be furnished within one hundred twenty (120) days after the end of FRANCHISEE's fiscal year. The profit and loss statement and balance sheet shall contain such information as FRANCHISOR shall reasonably request, including, for example, the information necessary to verify payments due FRANCHISOR under any provision of this Agreement. Upon request of FRANCHISOR, FRANCHISEE shall furnish more frequent reports of gross sales and/or sales by telephone or other means of communication specified by FRANCHISOR. In order to ensure the uniformity of operation and to make maximum effectiveness of the available information concerning Service Center operation, marketing and financial data, FRANCHISEE shall also submit to FRANCHISOR such additional financial and operating information as FRANCHISOR shall request from time to time.

All written reports shall be made only on forms approved by FRANCHISOR or supplied by FRANCHISOR to FRANCHISEE, at FRANCHISEE's expense. All reports or other information furnished by FRANCHISEE shall be received and treated confidentially by FRANCHISOR; provided, however, that FRANCHISOR may use any such information for the compilation of: (i) operating statistics on all of FRANCHISOR's franchises, or groups thereof, for intra-company and public distribution; (ii) sales rankings for publication to franchisees via FRANCHISOR's Intranet; (iii) financial performance representations for publication in FRANCHISOR's franchise disclosure documents for prospective franchisees; (iv) comparative sales charts and tables for publication to franchisees via FRANCHISOR's Intranet; and (v) other similar data compilations.

FRANCHISEE must provide FRANCHISOR with these reports within the applicable time periods. To accommodate efficient tracking and timely submission of such reports, FRANCHISEE must submit reports and documentation to FRANCHISOR electronically in the manner and by the means specified by FRANCHISOR. FRANCHISOR shall also utilize electronic submission of documents to FRANCHISEE for efficiency and tracking.

FRANCHISEE may keep its books and records on either a calendar year or fiscal year basis. All references in this Section to the "year" of FRANCHISEE shall mean either the calendar or fiscal year adopted by FRANCHISEE.

14. COMPUTER SYSTEMS. FRANCHISEE agrees to purchase, install, and use all computer systems which FRANCHISOR may require and consisting of hardware and software in accordance with FRANCHISOR's specifications. FRANCHISEE shall use the computer systems to maintain FRANCHISEE's business records, customer information, and sales and other financial information in a format specified by FRANCHISOR in operating manuals or by other communication. FRANCHISOR's specifications may include the requirement to purchase and use hardware, software, and installation, maintenance and/or technical support services supplied by one or more approved suppliers, which may include FRANCHISOR or an affiliate. If FRANCHISOR or an affiliate is an approved supplier, FRANCHISEE may be required to execute software licenses, technical support services agreements or other agreements, as applicable. FRANCHISEE shall be required to submit reports to FRANCHISOR electronically. FRANCHISEE further agrees to access and use FRANCHISOR's Intranet in accordance with FRANCHISOR's policies and procedures. FRANCHISOR may modify specifications for and components of required computer systems from time to time. FRANCHISOR's modification may require FRANCHISEE to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the systems.

FRANCHISEE agrees to attend any training program required by FRANCHISOR from time to time in connection with the operation of the computer system, at FRANCHISEE's sole cost and expense.

In addition to the reports required in the preceding Sections FRANCHISEE agrees to furnish FRANCHISOR on a weekly basis, the following reports, including but not limited to (i) Daily/Weekly Business Report, (ii) Weekly Business Report, (iii) Cash Received Report, (iv) Center Summary Report, (v) Completed/Not Delivered Report, and (vi) Center Activity Report via the Intranet.

FRANCHISOR shall have full access to FRANCHISEE's computer system, all sales data and all related information by means of direct access, either in person or by telephone, modem or Internet to permit FRANCHISOR to verify FRANCHISEE's compliance with its obligations under this Agreement. FRANCHISEE further agrees hereby that FRANCHISOR may, without any further approval being required, poll FRANCHISEE's computer system and obtain any and all information contained therein, by any necessary method, including but not limited to, direct telephone connection, at any time deemed necessary by FRANCHISOR, whether on a routine basis or under special circumstances.

15. INVENTORY AND QUALITY CONTROL. In order to insure consumer acceptance both on a local and national level, FRANCHISEE recognizes the necessity of quality control and standardization as essential conditions of the Franchise Agreement. FRANCHISEE agrees to purchase all items used in the operation of a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, including equipment, inventory, parts and supplies from FRANCHISOR, or any subsidiary, division or affiliate of FRANCHISOR, the original equipment manufacturer ("OEM"), or such other vendors as are approved by FRANCHISOR, which approval shall not be unreasonably withheld when such other vendors can meet FRANCHISOR's standards and specifications, including inspection standards. Should FRANCHISEE desire to purchase any item from a source not previously approved by FRANCHISOR, FRANCHISEE shall notify FRANCHISOR in writing and submit such details and specifications regarding the item as FRANCHISOR may require. FRANCHISOR will advise FRANCHISEE within a reasonable time whether the item FRANCHISEE proposes to buy meets FRANCHISOR's approval. The terms of all purchases from FRANCHISOR, its divisions or affiliates (hereinafter sometimes collectively referred to as the "Company Suppliers") shall be COD or "net ten (10) days" or such other terms as the Company Suppliers shall establish. The Company Suppliers shall have the right to require prepayment, if, in their opinion, FRANCHISEE's financial condition or other circumstances do not warrant shipment in advance of payment.

FRANCHISEE shall submit its orders for inventory to the Company Suppliers in sufficient time to enable them to fill the orders in the usual course of business. The Company Suppliers shall not be liable for any delay in the delivery of any orders, including the delivery of said parts, if such delay is occasioned by any cause whatsoever beyond the Company Suppliers' reasonable control.

16. ORIGINAL EQUIPMENT AND SUPPLIES. Prior to the opening of FRANCHISEE's Service Center, FRANCHISEE shall acquire equipment, supplies and inventory authorized by the FRANCHISOR. FRANCHISEE may purchase the equipment from any authorized OEM, the Company Suppliers or other vendors approved by FRANCHISOR (which approval shall not be unreasonably withheld when it can be demonstrated that said vendor meets FRANCHISOR's standards and specifications, including inspection standards).

17. DISCLAIMER OF WARRANTY AND LIMITATION OF LIABILITY. THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, MADE BY FRANCHISOR OR THE COMPANY SUPPLIERS COVERING ITEMS SOLD BY FRANCHISOR OR ANY OF THE COMPANY SUPPLIERS TO FRANCHISEE PURSUANT TO THIS AGREEMENT AND HEREAFTER. FRANCHISEE's remedy for defective items is limited to replacement of the defective items and neither FRANCHISOR nor any of the Company Suppliers shall be liable for any incidental or consequential damages, whether brought in warranty, negligence, misrepresentation, strict liability, or any other theory, as a result of selling or supplying any items pursuant to this Agreement. Any warranty which is furnished to a customer by the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER is extended by FRANCHISEE to the customer and not by FRANCHISOR to either the FRANCHISEE or the customer, and is a personal obligation of FRANCHISEE.

18. SERVICE CENTER WARRANTIES. FRANCHISEE shall honor each warranty agreement presented by a customer at FRANCHISEE's Center in accordance with the terms thereof, irrespective of whether the transmission was originally repaired at FRANCHISEE's Service Center or any other authorized MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. In addition, FRANCHISEE shall comply at all times with FRANCHISOR's policies in force and effect from time to time concerning the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS warranty program ("Warranty Program"). Without limitation, FRANCHISEE shall also satisfy legitimate customer complaints concerning any service performed or parts sold pursuant to the Warranty Program.

FRANCHISEE, upon complying with provisions in this Section with respect to the customer of another authorized MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, shall be reimbursed by the other Service Center upon making written demand upon such Service Center in accordance with FRANCHISOR's intershop warranty policies and procedures.

FRANCHISEE agrees to pay any other MR. TRANSMISSION or MULTISTATE TRANSMISSIONS franchisee the amount due to such franchisee for the honoring of a warranty to a customer of FRANCHISEE via credit card within twenty-four (24) hours after such demand by the repairing franchisee. If FRANCHISEE fails to timely pay such amount, FRANCHISEE shall be in default of this Franchise Agreement, and in addition to any remedies it may have for breach of this agreement, FRANCHISOR shall be entitled to recover such amount from FRANCHISEE for the benefit of the franchisee which honored the warranty, however, FRANCHISOR shall not be obligated to pursue the recovery of such amount for the benefit of such franchisee.

Prior to the opening of its Service Center, FRANCHISEE shall pay to FRANCHISOR the amount of Five Thousand Dollars (\$5,000.00) to be held by FRANCHISOR in a warranty fund to pay any claims for warranty repairs which FRANCHISEE may fail to honor, on Service Center warranties or reimbursements that are unpaid and for warranties which are the responsibility of any Center which has closed for any reason and not reopened. FRANCHISEE shall retain responsibility for any and all warranties issued by its Service Center, and should FRANCHISEE cease or abandon operations of the business, FRANCHISEE shall be responsible for payment of all warranties issued by its Service Center to its customers above and beyond the warranty fund.

If this franchise has been transferred, FRANCHISEE agrees to honor all warranties issued by its predecessor as if the warranty had been issued by FRANCHISEE under the guidelines of the FRANCHISOR's current policies and procedures in effect concerning the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS CENTER Warranty Program. In the event of a transfer of the franchise,

the FRANCHISEE's existing warranty fund deposit may be assigned to the purchaser, or the purchaser must pay the warranty fund deposit directly to FRANCHISOR. If the purchaser pays the warranty fund deposit, FRANCHISEE's deposit may be refundable ninety (90) days after completion of resale or transfer if terms and conditions are met.

FRANCHISEE's obligation to comply with the terms and conditions in this Section 18 and obligation to comply with FRANCHISOR's policies concerning the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS Warranty Program shall not in any way make FRANCHISOR liable for any warranty issued by FRANCHISEE. Further, nothing in this Section shall impose any obligation on FRANCHISOR to take any act or refrain from taking any act with regard to the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS Warranty Program. FRANCHISOR does not, nor shall it issue, any warranty to any customer of any Center. FRANCHISOR is not a party to any warranty agreement entered into between FRANCHISEE and its customers.

FRANCHISEE acknowledges that the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS Warranty Program is essential to the continuation of the goodwill among the public for MR. TRANSMISSION and MULTISTATE TRANSMISSIONS SERVICE CENTERS on a national basis. In order to continue the goodwill associated with the FRANCHISOR's name FRANCHISOR requires FRANCHISEE's payment to the warranty fund and reserves the right to issue such Warranty Program policies and procedures which FRANCHISOR, in its sole discretion deems appropriate from time to time, and upon written notice, FRANCHISEE shall comply with the same. Notwithstanding FRANCHISOR's reservation of rights herein, FRANCHISOR has no duties, obligations or liability with respect to the warranty fund, intershop policies and procedures, or Warranty Program policy or procedures. FRANCHISOR has no duty to satisfy complaints made by any customer of any Center.

19. ADVERTISING. FRANCHISOR's regulations, requirements and required approvals with respect to FRANCHISEE's advertising set forth in this Agreement and any exhibit or addendum hereto or as may be communicated to FRANCHISEE from time to time, are for the purpose of protecting FRANCHISOR's proprietary marks, good will and brand consistency. FRANCHISOR does not warrant or guarantee that any advertising program, agency, supplier, website, concept or material, whether developed by FRANCHISOR or approved by FRANCHISOR, or developed by FRANCHISEE or FRANCHISEE's local advertising group, complies with advertising laws or regulations which apply to FRANCHISEE or its Service Center advertising. FRANCHISEE is solely responsible for investigating applicable laws and regulations and conducting its advertising in compliance with same. FRANCHISOR will grant FRANCHISEE an automatic variance from FRANCHISOR's advertising regulations or requirements if FRANCHISEE advises FRANCHISOR that such is necessary to comply with any law or regulation.

(a) Moran Creative Fund. Recognizing the value of creating advertising concepts and the importance of the standardization of advertising, FRANCHISOR has established and maintains a separate creative fund, which is used for the creation and production of marketing concepts and distribution of creative advertising ("MORAN CREATIVE FUND" or "CREATIVE FUND"). FRANCHISEE agrees to make monthly contributions to the MORAN CREATIVE FUND. Each month during the term of this Agreement, FRANCHISEE shall contribute one percent (1%) of its gross sales or make a minimum contribution of One Hundred Dollars (\$100.00), (whichever is greater), to the CREATIVE FUND. FRANCHISEE agrees that the amount required to be paid to the CREATIVE FUND by FRANCHISEE may be adjusted by FRANCHISOR from time to time but in no event shall the amount exceed three percent (3%) of FRANCHISEE's monthly gross sales during the term of this Agreement. FRANCHISEE shall remit the appropriate amount of its contribution with its first payment of royalties for the month via ACH debit payable to the MORAN CREATIVE FUND. Such contributions to the CREATIVE FUND shall be held in a separate CREATIVE FUND account which has been opened for the exclusive use of FRANCHISOR, FRANCHISEE, and other MR. TRANSMISSION or MULTISTATE TRANSMISSIONS franchisees or to such other entity as FRANCHISOR shall designate. FRANCHISEE further agrees to have all franchises owned or controlled by FRANCHISEE contribute to the CREATIVE FUND.

The CREATIVE FUND will be used for the production of advertising materials, and other promotional or related materials which FRANCHISOR, in its sole discretion, deems desirable to advertise and promote MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS nationally or regionally. FRANCHISOR shall be entitled to direct the utilization of the CREATIVE FUND for the benefit of FRANCHISOR in the sole discretion of FRANCHISOR.

FRANCHISOR reserves the right to consult an advisory alliance of franchisees on the use and expenditures of the CREATIVE FUND.

FRANCHISEE agrees that FRANCHISOR, in its own name, shall be entitled to recover the sum of monies due from the FRANCHISEE for the benefit of the CREATIVE FUND and/or FRANCHISOR's advertising agency.

FRANCHISEE further understands and agrees that the CREATIVE FUND exists solely for the production and distribution of advertising materials or other such uses as may be approved by the FRANCHISOR, and that FRANCHISEE is solely responsible for printing and placement of said materials in the media and the costs related thereto.

(b) Local Advertising and Advertising Pools. FRANCHISEE acknowledges that its participation in advertising programs and promotional activities is essential. The FRANCHISEE shall make the expenditures required by and otherwise fully comply with a local advertising budget to be developed for it with the assistance of FRANCHISOR. If there are no other MR. TRANSMISSION or MULTISTATE TRANSMISSIONS franchisees located in the same metropolitan area as FRANCHISEE, FRANCHISEE agrees to budget up to approximately Five Hundred Dollars (\$500.00) per week, or seven percent (7%) of gross sales, to locally advertise and market its MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER.

FRANCHISEE agrees, at its expense, to advertise in the classified or yellow pages of the local telephone directory under the listing of "Transmissions," "Auto Repair and Service," and such additional listings as may be designated by FRANCHISOR. In such advertising, FRANCHISEE agrees to use only ad mats approved by FRANCHISOR. The size of an advertisement to be placed in a market area with multiple Service Centers will be determined by a majority of the Service Centers in the market area, subject to the approval of FRANCHISOR.

FRANCHISEE agrees in its advertising to use and reproduce FRANCHISOR's trademarks, service marks, logos and other symbols exactly and accurately and in a manner which will best protect these rights. FRANCHISEE further agrees in its advertising to refrain from the use of FRANCHISEE's own name, or any name other than "MR. TRANSMISSION" or "MULTISTATE TRANSMISSIONS" in connection with any of FRANCHISOR's trademarks, service marks or other symbols, unless FRANCHISEE's own name is used as part of a notice that the Service Center is independently owned and operated pursuant to Section 21 of this Agreement.

The FRANCHISEE shall place advertising only with advertising agencies approved in writing by FRANCHISOR or shall be in default hereunder, and FRANCHISOR, in addition to any other remedies which it may have for violation of this Franchise Agreement, may, in its own name, recover any such sums from FRANCHISEE, including, but not limited to, attorney's fees and costs.

Without limiting any of the language found elsewhere in this Agreement, FRANCHISEE agrees to adhere to such advertising regulations as FRANCHISOR may impose from time to time, to obtain FRANCHISOR's approval of FRANCHISEE's local advertising, and to use only advertising materials provided or approved by FRANCHISOR. The license granted hereunder does not include the right to use FRANCHISOR's proprietary marks to sell products or services via the Internet or any electronic medium without FRANCHISOR's prior approval. FRANCHISEE is permitted to establish an internet website to advertise its Service Center as long as: (a) FRANCHISEE uses FRANCHISOR's approved suppliers to register a domain name for and develop the website; (b) FRANCHISEE has obtained FRANCHISOR's

prior approval of any domain name(s), uniform resource locators, website address(es), and any content to be posted thereon; and (c) FRANCHISEE's site is linked to FRANCHISOR's home page.

FRANCHISEE agrees to share local advertising expenses with other franchisees in related, adjoining or overlapping Designated Marketing Area (as designated by FRANCHISOR), to participate fully in and cooperate with any MR. TRANSMISSION or MULTISTATE TRANSMISSIONS local advertising group now in existence or hereinafter established and to execute any documents in connection with such local advertising which FRANCHISEE is reasonably requested to execute by FRANCHISOR or the local advertising group. FRANCHISEE shall execute an Agreement to Participate in a Local Advertising Group at the time of FRANCHISEE's execution of this Franchise Agreement. Should FRANCHISEE fail or refuse to execute any such documents, FRANCHISEE hereby appoints any officer of FRANCHISOR as its attorney-in-fact to execute such documents in FRANCHISEE's place and stead. All decisions of the local advertising pool shall be final as to FRANCHISEE, and all such decisions shall be based upon majority rule, with each Service Center in the pool having one (1) vote. If the FRANCHISEE fails to pay promptly any amount due its advertising agency or its local advertising group or pool, then either FRANCHISOR or all other franchisees of FRANCHISOR in the local advertising group or pool of which FRANCHISEE is a member, or the local advertising group or pool shall be entitled to recover the amount due from the FRANCHISEE. The FRANCHISEE recognizes that all local advertising inures to its benefit and to the benefit of all franchisees in the local advertising group. FRANCHISEE acknowledges that despite failure to contribute its proportionate share, local advertising expenditures confer substantial benefits on it, and further acknowledges its responsibility for payment therefor. FRANCHISOR, in addition to any remedies available to it for default under this Franchise Agreement, reserves the right to have or allow the local advertising group to seek the enforcement of this obligation, and FRANCHISEE shall be liable for and pay all costs and expenses thereof, including, but not limited to, attorney's fees and court costs.

20. HOLD HARMLESS AND INSURANCE. FRANCHISEE agrees that it will indemnify, defend, and save harmless FRANCHISOR, its officers, directors, agents, employees, servants, divisions and its subsidiaries (collectively "FRANCHISOR Indemnitees") from all liabilities, taxes, losses, fines, costs, damages, expenses (including reasonable attorney's fees and court costs), as well as all claims, demands, actions, suits or proceedings, of any kind or nature, asserted by any entity or anyone whomsoever, arising or growing out of or otherwise connected with FRANCHISEE's (a) ownership or operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between FRANCHISOR and FRANCHISEE, including but not limited to, those representations, warranties, covenants, or provisions of this Agreement related to transfer or assignment of the assets and/or franchise or any of FRANCHISEE's interest therein; (d) defamation or disparagement of FRANCHISOR or the system; (e) acts, errors or omissions committed or incurred in connection with the business licensed hereunder, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any proprietary mark or copyright or misuse of any trade secret or other confidential information; or (g) disclosure of any information relating to the financial condition or financial performance of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER to FRANCHISOR or any third party including, but not limited to, financial statements, profit and loss statements, balance sheets, financial reports, customer lists, costs of goods sold information, proforma, sales reports, or any other financial performance information of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER. Immediately upon receiving notice of a claim, action, suit, demand, investigation or proceeding that may give rise to a claim for indemnification by a FRANCHISOR Indemnitee, FRANCHISEE shall notify FRANCHISOR of the same. Immediately upon receipt of a demand, notice, complaint, subpoena, or other legal document alleging or relating to a civil or criminal suit or administrative action brought against FRANCHISEE, FRANCHISOR or their affiliates or principals, FRANCHISEE shall furnish copies of the same to FRANCHISOR.

In connection with the FRANCHISEE's obligation to indemnify and defend FRANCHISOR, FRANCHISOR shall have the right to retain or require FRANCHISEE to retain counsel of FRANCHISOR's choosing. Notwithstanding FRANCHISEE's retainer of counsel to represent and defend FRANCHISOR,

FRANCHISOR shall at all times have the right to actively participate in its own defense and to supervise and control such defense and defense counsel.

FRANCHISEE shall procure prior to the opening of the Service Center, and maintain and keep in full force at all times during the term of this Agreement (and any renewals thereof), at its own expense, the types of insurance listed below. In addition to any other insurance that may be required by applicable law, or by lender or lessor, FRANCHISEE shall procure:

(a) Commercial General Liability ("CGL") Insurance, including the Broad Form CGL coverage endorsement, which endorsement must include premises and operations liability, products and completed operations liability and contractual liability insurance, against the claims of all persons including, but not limited to, employees and/or customers, for bodily and personal injury and property damage caused by, or occurring in conjunction with the operation of the Service Center, or FRANCHISEE's conduct of business pursuant to this Agreement, with a minimum limit of One Million Dollars (\$1,000,000.00) per occurrence/Two Million Dollars (\$2,000,000.00) aggregate covering bodily injury and property damage. FRANCHISEE's CGL policy and coverage must name FRANCHISEE as the insured. Moran Industries, Inc., its subsidiaries, affiliates, stockholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor" on FRANCHISEE's CGL insurance policy using endorsement "Form CG2029 – Grantor of Franchise." The CGL policy must be primary and noncontributory, must contain a waiver of subrogation in favor of Moran Industries, Inc. and its successors and assigns and must not restrict coverage for completed operations for either the named insured or the Additional Insured/Franchisor;

(b) Excess Liability/Umbrella policy with minimum limit of One Million Dollars (\$1,000,000.00); Such coverage shall extend to cover FRANCHISEE's CGL, Automobile Liability and Employer's Liability;

(c) Garagekeepers Insurance coverage with a minimum liability limit of Twenty Thousand Dollars (\$20,000.00) per service bay at FRANCHISEE's Service Center;

(d) Automobile Liability Insurance on owned, hired and non-owned vehicles, with a minimum liability limit of One Million Dollars (\$1,000,000.00) combined single limit coverage for bodily and personal injury and property damage. FRANCHISEE's automobile liability policy and coverage must name FRANCHISEE as the insured. Moran Industries, Inc., its subsidiaries, affiliates, stockholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor" on FRANCHISEE's automobile liability insurance policy;

(e) Worker's Compensation Insurance and Employer's Liability Insurance with a minimum liability limit of One Hundred Thousand Dollars (\$100,000.00) or statutory limits, whichever is greater. If such insurance is not required by statute, FRANCHISEE shall be obligated to procure and maintain worker's compensation insurance and employer's liability insurance with the minimum liability limit stated herein;

(f) Employment Practices Liability Insurance with a minimum limit of Fifty Thousand Dollars (\$50,000.00) including first and third party coverage. FRANCHISEE's employment practices liability policy and coverage must name FRANCHISEE as the insured. Moran Industries, Inc., its subsidiaries, affiliates, stockholders, officers, directors, employees, agents and assignees must be named as "Additional Insured/Franchisor" on FRANCHISEE's employment practices liability insurance policy; and

(g) Special Cause of Loss Property Insurance coverage on inventory, improvements, furniture, fixtures, equipment, supplies and other property used in the operation of the Service Center for the full replacement value thereof, and including business interruption insurance and extra expense insurance on an actual loss sustained basis which provides coverage for FRANCHISEE's loss of business income and FRANCHISOR's loss of continuing fees for a minimum of twelve (12) months.

FRANCHISEE is solely responsible for investigating and complying with any applicable statutory insurance coverage requirements which may be in effect during the term of this Agreement in the state in which its Service Center is located.



All of said insurance coverage required by this Agreement shall be at the expense of FRANCHISEE, shall be for the benefit of FRANCHISEE and FRANCHISOR; shall be placed only with an insurance carrier or carriers maintaining an A.M. Best financial rating of "A-" or better; shall not be subject to cancellation or any material change except after thirty (30) days written notice to FRANCHISOR; and shall provide that no failure of the FRANCHISEE to comply with any term, condition or covenant of this Agreement or other conduct of the FRANCHISEE, or those for whose conduct it is responsible, shall terminate or otherwise affect the protection afforded under said policy to FRANCHISOR. The insurance requirements set forth above are minimum requirements and are not intended as and should not be construed as legal advice. FRANCHISEE acknowledges the same and shall consult with its business advisors, such as an attorney and insurance agent to determine whether additional insurance may be necessary.

Prior to the opening of the Service Center and upon any material change or renewal of coverage, FRANCHISEE shall furnish FRANCHISOR with a copy of the then-current effective certificate of insurance. FRANCHISEE shall furnish FRANCHISOR with such certificates of insurance as are necessary to ensure that a certificate of insurance, reflecting full compliance with the requirements of this Section shall at all times be kept on deposit at the general offices of FRANCHISOR. Further, FRANCHISEE agrees to ensure that in all insurance policies and certificates required pursuant to this Section, and throughout the term of this Agreement, the name of the insured is an exact match with the name(s) of the individual(s), or the business entity defined as FRANCHISEE in the introduction to this Agreement and where FRANCHISOR is required to be named as an additional insured, the name of the additional insured is exactly and correctly stated as Moran Industries, Inc., its subsidiaries, affiliates, stockholders, officers, directors, employees, agents, and assignees. If FRANCHISEE fails to comply with this Section, FRANCHISOR may, in addition to any other remedies available to it for breach of this Franchise Agreement, obtain such insurance and require FRANCHISEE to pay the costs thereof upon demand.

Upon request by FRANCHISOR, FRANCHISEE shall furnish FRANCHISOR with suitable evidence that the insurance premiums have been paid. If FRANCHISEE fails to comply with any of these requirements, FRANCHISOR may terminate this Agreement immediately, or in the alternative, at FRANCHISOR's option, FRANCHISOR may obtain such insurance and keep the same in full force and effect, and the premiums thereof shall be immediately due from FRANCHISEE to FRANCHISOR.

FRANCHISEE's obligation to indemnify FRANCHISOR, as described in this Section, is not limited to the extent of or amount of insurance coverage obtained by FRANCHISEE. Notwithstanding any language to the contrary, FRANCHISOR shall be obligated to defend and save harmless FRANCHISEE against claims for trademark infringement as provided in Section 10 hereinabove.

FRANCHISOR reserves the right to alter or amend the insurance requirements hereunder upon written notice thereof to FRANCHISEE.

## 21. INDEPENDENT CONTRACTOR.

(a) The only relationship between the parties shall be that of independent contractors. It is understood and agreed that no agency, joint venture, employment, or partnership is hereby created between the parties, and the business to be operated by FRANCHISEE is separate and apart from any which may be operated by FRANCHISOR. No representations will be made by either party which would create an apparent agency, employment or partnership relationship, and neither party shall have the authority to act for the other in any manner to create obligations which would be binding upon the other. Neither party shall be responsible for any obligations or expenses whatsoever of the other (except as described herein), nor shall either party be responsible for any act or omission of the other or for any act or omission of an employee or agent of the other.

(b) In all dealings with third parties, including, without limitation, employees, suppliers, federal, state and local agencies, customers and guests, FRANCHISEE shall disclose in an appropriate manner acceptable to FRANCHISOR that it is an independent entity. FRANCHISEE agrees to display on the

premises of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER in a prominent place in public view, a plaque prepared at its expense and approved by FRANCHISOR, stating the name and address of the FRANCHISEE and the fact that the Service Center is an independently owned and operated franchise and to take such additional steps as FRANCHISOR may reasonably require to establish public knowledge of its independent contractor status.

(c) In all advertising, business cards, stationery, repair orders, receipts, consumer and vendor contracts, printed materials, signage and other such items used in connection with the operation of its business, FRANCHISEE must show prominently thereon that the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder is independently owned and operated.

(d) FRANCHISEE acknowledges that FRANCHISOR is engaged in the business of licensing rights and is not engaged in the business of owning or operating a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER; FRANCHISOR does not own or operate any Service Centers and FRANCHISOR does not provide any parts, labor or services to any consumer or to the general public. FRANCHISEE further acknowledges that FRANCHISEE shall operate the Service Center for itself and not for FRANCHISOR. FRANCHISEE shall provide parts, and perform labor and services for its customers and not for FRANCHISOR.

(e) FRANCHISEE expressly acknowledges that FRANCHISOR is not FRANCHISEE's employer or an employer of any of FRANCHISEE's employees. In addition, FRANCHISOR is not a "joint employer" with FRANCHISEE. FRANCHISEE shall be sole employer of its employees and shall be solely responsible for the hiring, firing, compensation, scheduling of work and performance evaluation of any and all persons employed by FRANCHISEE. FRANCHISEE is solely responsible for establishing its own employee relations policies and the handling any disciplinary matters that may arise. Unless a critical need arises, FRANCHISOR shall not have access to FRANCHISEE's employer or employee records. Notwithstanding FRANCHISOR's requirement set forth in Section 6 of this Agreement, that FRANCHISEE's manager(s) attend a center management training program, FRANCHISEE shall be solely responsible for training its own employees.

(f) FRANCHISEE acknowledges FRANCHISOR's training, guidance, advice and recommendations, the FRANCHISEE's obligations under this Agreement and the standards or specifications required by FRANCHISOR hereunder are imposed not for the purpose of exercising control of FRANCHISEE, but rather for the limited purposes of protecting FRANCHISOR's proprietary marks, goodwill and brand consistency. FRANCHISEE is solely responsible for the management of the Service Center as an independent franchise owner/operator. FRANCHISEE is solely responsible for its own investigation of and compliance with all laws and regulations to which FRANCHISEE or the Service Center is subject, and if FRANCHISEE's or the Service Center's compliance with such laws or regulations require, FRANCHISEE shall automatically be entitled to a variance of any standard, specification, requirement, term or condition imposed hereunder for such compliance. FRANCHISOR does not represent that any of the training, guidance, advice or recommendations which it provides, or the standards, specifications, requirements or restrictions which it imposes (all of which are provided or imposed for the protection of the proprietary marks, goodwill and brand consistency) comply with the laws and regulations to which FRANCHISEE or the Service Center may be subject.

22. CONFIDENTIAL INFORMATION. The FRANCHISEE acknowledges the confidential nature of the information, manuals, trade secrets, management software, Intranet access and procedures that will be made available to FRANCHISEE by FRANCHISOR. FRANCHISEE shall not acquire any interest in FRANCHISOR's trade secrets or other confidential information, other than the right to use the trade secrets and other confidential information in the development of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER and in performing its obligations during the term of this Agreement. FRANCHISEE acknowledges that the use or duplication of FRANCHISOR's trade secrets or other confidential information in any other business venture would constitute an unfair method of competition. FRANCHISEE acknowledges that FRANCHISOR's trade secrets and other confidential information are proprietary and are disclosed to FRANCHISEE solely on the condition that FRANCHISEE: (a) shall not use the trade secrets or other confidential information in any other business or capacity; (b)

shall maintain the absolute confidentiality of and shall not divulge, directly or indirectly (except to authorized employees, agents or representatives of the FRANCHISEE), any trade secret, or other confidential information, furnished to FRANCHISEE by FRANCHISOR; (c) shall not make any unauthorized copies of any portion of the trade secrets or other confidential information disclosed in written or other tangible form; and (d) shall adopt and implement all reasonable procedures prescribed from time to time by FRANCHISOR to prevent unauthorized disclosure or use of the trade secrets and other confidential information. FRANCHISEE shall enforce this Section as to its employees, agents and representatives and shall be liable to FRANCHISOR for any unauthorized disclosure or use of FRANCHISOR's trade secrets or other confidential information by any of them.

Any confidential literature, manuals, software, Intranet access codes or passwords which FRANCHISOR has given to FRANCHISEE will be returned to FRANCHISOR at the expiration and nonrenewal or termination of this Franchise Agreement. FRANCHISEE specifically acknowledges that the operating manuals which it receives at FRANCHISOR's initial training program described in Section 6 are copyright material of FRANCHISOR, are the property of the FRANCHISOR, contain matters which constitute trade secrets, and FRANCHISEE agrees that upon expiration and nonrenewal or termination of this Franchise Agreement it will return the operating manuals to FRANCHISOR.

FRANCHISEE agrees not to disclose to anyone for the duration of this Franchise Agreement or any renewal, or at any time after the expiration and nonrenewal or termination of this Franchise Agreement, directly or indirectly, the confidential information received from FRANCHISOR, whether furnished during training, conferences sponsored by FRANCHISOR, or elsewhere, which information relates to methods of operation, servicing, advertising, publicity, promotional ideas, profits, financial status, software, Intranet access or present and future plans for expansion. FRANCHISEE specifically acknowledges that such information is confidential and constitutes part of the trade secrets of FRANCHISOR.

FRANCHISOR has the right to require certain individuals who have access to FRANCHISOR's trade secrets and other confidential information by virtue of their relationship or association with FRANCHISEE, (such as a spouse or family member, or a manager or executive of the SERVICE CENTER or FRANCHISEE's business entity), to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit 3 to this Agreement, upon execution of this Agreement or prior to each such person's affiliation with FRANCHISEE. Upon FRANCHISOR's request, FRANCHISEE shall provide FRANCHISOR with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of FRANCHISEE and are subject to audit or review as otherwise set forth herein. FRANCHISOR shall either be a party to or be a third party beneficiary to such agreements with the right to enforce covenants in such agreements.

FRANCHISOR and FRANCHISEE agree that the terms and conditions of this Agreement and of any other agreements entered into between the parties hereto in connection with this Agreement constitute part of FRANCHISOR's trade secrets or other confidential information. Furthermore, any and all correspondence or communications exchanged between FRANCHISOR and FRANCHISEE relating to this Agreement or the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER constitute part of FRANCHISOR's trade secrets or other confidential information. Accordingly, all such terms, conditions, correspondence or communications shall be kept confidential and shall not be disclosed, unless such disclosure is required for purposes of FRANCHISOR's or FRANCHISEE's performance of their respective obligations under this Agreement or said other agreements or is required by law.

23. ASSIGNMENT BY FRANCHISEE. This Agreement is a personal obligation to the undersigned FRANCHISEE. The FRANCHISEE's rights under this Agreement, rights to the use of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS trade names, trademarks and service marks granted hereunder and the assets used in FRANCHISEE's operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER including, but not limited to, inventory, equipment, tools, parts, fixtures, and the premises, whether owned or leased by FRANCHISEE, are not assignable or

transferable under any circumstances except in strict compliance with the procedures enumerated in this Section and FRANCHISOR shall not unreasonably withhold consent to transfer:

(a) Upon FRANCHISEE's (or any of its owner's) death or disability, FRANCHISEE's (or its owner's) executor, administrator, conservator, guardian, or other personal representative must transfer FRANCHISEE's interest in this Agreement, or such owner's ownership interest in FRANCHISEE, and FRANCHISEE's interest in all of the assets used in FRANCHISEE's operation of the SERVICE CENTER including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased by FRANCHISEE, to a third party (which may be FRANCHISEE's, or the owner's, heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed six (6) months from the date of death or disability, and is subject to all of the terms and conditions contained in this Section 23. The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent FRANCHISEE (or the owner) from supervising the management and operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER.

If, upon FRANCHISEE's or the owner's death or disability, a manager approved by FRANCHISOR is not managing the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, FRANCHISEE's or the owner's executor, administrator, conservator, guardian or other personal representative must appoint a manager within fifteen (15) days of the date of death or disability. The manager must complete FRANCHISOR's standard center management training program at FRANCHISEE's expense. If, in FRANCHISOR's judgment, the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER is not being managed properly any time after FRANCHISEE's or the owner's death or disability, FRANCHISOR may, but need not, assume FRANCHISEE's management (or appoint a third party to assume its management). All funds from FRANCHISEE's operation while it is under FRANCHISOR's (or the third party's) management will be kept in a separate account and all expenses will be charged to this account. FRANCHISOR may charge FRANCHISEE (in addition to amounts due under this Agreement) a reasonable per diem fee plus FRANCHISOR's (or the third party's) direct out-of-pocket costs and expenses, if FRANCHISOR (or a third party) assumes the management of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER under this subsection. FRANCHISOR (or a third party) has a duty to utilize only reasonable efforts and will not be liable to FRANCHISEE or its owner for any debts, losses or obligations the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER incurs, or to any of FRANCHISEE's creditors for any products, other assets, or services the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER purchases, while FRANCHISOR (or a third party) manages it.

In the alternative, in the event that the heir or devisee and/or the person who shall manage the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER fails to attend said training courses as required by this Section, then the FRANCHISOR at its sole option may terminate all rights conferred in this Agreement and retain any and all license fees or other sums paid by FRANCHISEE to FRANCHISOR. All rights granted to said heir or devisee in this Section shall be null, void, and of no force and effect in the event that said heir or devisee fails to assume all debts or liabilities of any nature owed by FRANCHISEE to FRANCHISOR. Assumption of said liability by the heir or devisee shall in no respect constitute a waiver of any rights that the FRANCHISOR may have to recover such sums from the estate of the FRANCHISEE or from other persons or firms who may be liable for said debts or liabilities. The rights conferred to the heir or devisee in this Section are contingent upon the heir or devisee's assumption of the lease of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER premises signed by FRANCHISEE.

If the heir or devisee does not elect to operate the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER or fails to comply with all of the conditions outlined hereinabove, then said heir or devisee, or his authorized representative shall sell, lease, sublease, transfer or assign all of the rights and interests of the heir or devisee acquired under this Agreement and all of the assets of the SERVICE CENTER including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased, to FRANCHISOR or to any other purchaser in strict compliance with the procedures enumerated in Subsections (c) and (e) below.

(b) In the event of the incapacity of the FRANCHISEE, the guardian or other legally appointed representative (the "Guardian") may continue to operate the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER under the Franchise Agreement and the Franchise Agreement shall continue in effect provided the Guardian or his designee is approved by FRANCHISOR to continue operation of the Service Center (which approval will be not unreasonably withheld) and provided said Guardian or his designee attends the franchise owner/operator training program required by FRANCHISOR at such times as FRANCHISOR may designate. If the Guardian or his designee is not approved by FRANCHISOR, or fails to attend such training as required by FRANCHISOR, or if the Guardian elects not to continue operation on behalf of the FRANCHISEE, then the Guardian shall sell, lease, sublease, transfer or assign all of the rights and interests of the FRANCHISEE acquired hereunder and all of the assets of the SERVICE CENTER including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased, to the FRANCHISOR or other purchaser in strict compliance with Subsections (c) and (e) below.

(c) The FRANCHISEE shall not sell, lease, sublease, transfer or assign its rights and interest under this Agreement, or any part hereof, nor any of the assets of its transmission service center business, including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased by FRANCHISEE, without in each instance first offering the same to FRANCHISOR on the same terms as FRANCHISEE shall previously have received in a bona fide, written offer from a responsible, fully disclosed prospective purchaser, and thereafter the FRANCHISOR shall have thirty (30) days within which to determine if it wishes to accept said offer. If the FRANCHISOR should decline or fail to accept said offer, the FRANCHISEE may sell, lease, sublease transfer, or assign to the prospective purchaser within sixty (60) days thereafter, on the same terms and conditions as contained in said offer and subject to the conditions enumerated in (e) below.

(d) In the event of the retirement of the FRANCHISEE (or any of its owners), the FRANCHISEE shall not sell, lease, sublease, transfer or assign his rights and interest under this Agreement, or any part thereof, nor any of the assets of its transmission service center business including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased by FRANCHISEE, without in each instance first offering the same to FRANCHISOR on the same terms as FRANCHISEE shall previously have received in a bona fide, written offer from a responsible, fully disclosed prospective purchaser, and thereafter the FRANCHISOR shall have thirty (30) days within which to determine if it wishes to accept said offer. If the FRANCHISOR should decline or fail to accept said offer, the FRANCHISEE may sell, lease, transfer or assign to the prospective purchaser within sixty (60) days thereafter, on the same terms and conditions as contained in said offer and subject to the conditions enumerated in (e) below.

(e) In the event that FRANCHISOR does not acquire the assets of the Service Center including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased and FRANCHISEE's rights hereunder, as described in (c) and (d) hereinabove, FRANCHISEE may sell, lease, sublease, assign or transfer its rights and interest under this Agreement, or any part thereof, and said assets to a prospective purchaser provided first that the purchaser is approved by FRANCHISOR and provided further that the purchaser executes FRANCHISOR's then standard Franchise Agreement. FRANCHISOR agrees to approve said prospective purchaser if the prospective purchaser has a satisfactory credit rating, is of good moral character, has a good business reputation and the business ability to operate the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, and further provided that any and all obligations of the FRANCHISEE hereunder are fully paid and satisfied, that outstanding accounts which FRANCHISEE may have with any advertising agency are fully paid and satisfied, that FRANCHISEE's payments to the CREATIVE FUND and any local advertising group of franchisees are paid in full, that the FRANCHISEE is not in default under any provisions of this Agreement, that the FRANCHISEE and the person or persons having control of the affairs of a corporate FRANCHISEE or other entity shall execute a general release of all claims of any nature against FRANCHISOR. The ownership of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER and the assets of the Service Center including, but not limited to, inventory, equipment, tools, parts, fixtures and the premises, whether owned or leased, may not be transferred to

the purchaser, nor shall the purchaser be allowed to take any action with respect to the ownership or operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder or with respect to said assets, until (i) the purchaser has paid any training fee and completed such training course as may be provided for in the then current Franchise Agreement; (ii) the purchaser has executed the then current Franchise Agreement, (iii) the then current transfer fee has been paid by FRANCHISEE or purchaser before purchaser attends any required training courses; (iv) the purchaser and FRANCHISEE have arranged for said purchaser to assume FRANCHISEE's obligations under any lease of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER premises; and (v) all payments due FRANCHISOR are paid or adequate arrangements have been made with FRANCHISOR for payment of same. FRANCHISEE agrees to remain personally obligated to FRANCHISOR for any and all of purchaser's or assignee's debts to FRANCHISOR for a period of one (1) year after the date of any assignment and transfer of the Franchise Agreement, (the "guarantee period"). In the event of a default by purchaser or assignee, then the guarantee period will be extended for an additional year from that event of default. Assignment of this Agreement to a purchaser shall not constitute a waiver by FRANCHISOR of any claims, whether known or unknown, that the FRANCHISOR may have against the FRANCHISEE relating to or in any way connected with FRANCHISEE's obligations under this Agreement, and shall not be construed as a release of FRANCHISEE or a novation of this Franchise Agreement.

(f) If FRANCHISEE is an individual and desires to assign and transfer FRANCHISEE's rights to a corporation or other legally recognized business entity (for purposes of this Section 23 any legally recognized business entity shall be referred to as a "corporation"), FRANCHISEE may do so notwithstanding the limitations on assignment and transfer listed above, provided that FRANCHISEE satisfies the following terms and conditions:

(i) The Franchise Agreement shall remain in the name of the individual, and the full legal name of the corporation shall be added to the Franchise Agreement as an additional Franchisee;

(ii) The corporation is newly organized and its activities are confined exclusively to operating the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed under this Agreement;

(iii) The FRANCHISEE is the owner of all the stock of the corporation and is the principal executive officer thereof (unless such requirement is waived in writing by FRANCHISOR), and the names and addresses of all officers, directors and shareholders shall be furnished to FRANCHISOR together with the Affidavit of the Secretary of said corporation as to such information;

(iv) All accrued money obligations of the FRANCHISEE to FRANCHISOR are satisfied;

(v) The corporation and all the officers thereof shall sign an agreement with FRANCHISOR on forms furnished by the FRANCHISOR assuming personally, jointly and severally, all obligations of the corporation as described in this Franchise Agreement. It is expressly understood that assumption of FRANCHISEE's obligations by the corporation does not limit the FRANCHISEE's personal obligations under the Franchise Agreement, and the FRANCHISEE and the corporation shall be jointly and severally liable hereafter; and

(vi) The FRANCHISEE shall sign an agreement with FRANCHISOR on forms to be provided by FRANCHISOR guaranteeing full payment of the corporation's money obligations to FRANCHISOR, agreeing to be bound individually by the obligations assumed by the corporation, and agreeing to continue to be bound by the obligations assumed by FRANCHISEE under this Agreement.

(g) If the FRANCHISEE is a corporation or if FRANCHISEE organizes a corporation as provided for in (f) of this Section, the capital stock thereof shall not be sold, assigned, pledged, mortgaged or transferred without the prior written consent of FRANCHISOR, except that there may be a sale of all of FRANCHISEE's capital stock on the same conditions enumerated above in Subsections (c), (d) and (e)

relative to the transfer of FRANCHISEE's rights hereunder to a purchaser. All stock certificates shall have endorsed on them the following:

"The transfer of the stock is subject to the terms and conditions of a Franchise Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MORAN INDUSTRIES, INC., an Illinois corporation, 'Franchisor' and \_\_\_\_\_ (insert individual[s] name[s]) and \_\_\_\_\_ (insert name of corporation), 'Franchisee'."

(h) If the FRANCHISEE is a partnership and all the members of the partnership desire to assign and transfer the license of the partnership to a corporation, the partners may do so under the same terms and conditions as in subsection (f) of this Section, provided that the partners own all of the stock of the corporation and are the principal executive officers thereof. In addition, if the FRANCHISEE is a partnership, the right of any partner to sell, assign, pledge, mortgage or transfer its partnership interest shall be subject to the same conditions governing the sale, assignment, pledge, mortgage or transfer of the capital stock of a corporation, as in Subsection (g) of this Section (except that all endorsements shall be printed on units of participation, not stock certificates).

(i) If the FRANCHISEE is or becomes a corporation, FRANCHISEE shall disclose to FRANCHISOR the names and addresses of all officers and directors of the corporation and shall, whenever there is any change, immediately notify FRANCHISOR of the name and address of any new officer and/or director, and upon the change of any officer and/or director, FRANCHISEE agrees to execute a new agreement with FRANCHISOR, consistent with the provisions of Subsection (f)(iv) of this Section.

24. ASSIGNMENT BY FRANCHISOR. This Franchise Agreement and all rights hereunder may be assigned and transferred by FRANCHISOR and shall inure to the benefit of FRANCHISOR's successors and assigns.

25. COVENANT NOT TO COMPETE. For a period of two (2) years after the expiration, nonrenewal, termination or transfer of this Agreement, and any transfer of any of the assets of the Service Center not in the ordinary course, the FRANCHISEE, (and its owners if FRANCHISEE is a business entity), FRANCHISEE's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of FRANCHISEE, shall not, directly or indirectly, engage or be financially interested in, or associated with, or invest in, the ownership or operation of any shop, center, or business located within a radius of twenty-five (25) miles from the licensed premises or any MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER, which shop, center or business offers, provides, and/or specializes in the sale, service, and/or repair of transmissions or related services. If any part of this restriction is found by a court of law to be unreasonable in time, scope and/or distance, the restriction may be reduced in time, scope and/or distance by an appropriate order of the court to that deemed reasonable. This restriction shall include, but is not limited to, such action as cessation of operation as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER in the licensed premises, and FRANCHISEE understands and agrees hereby that in such event, FRANCHISEE may not, directly or indirectly, engage or be financially interested in, or associated with, or invest in, the ownership or operation of a transmission repair or service facility from the premises licensed hereunder during the two (2)-year period stated herein. If FRANCHISEE has not fully complied with its other obligations upon termination, expiration, nonrenewal or transfer, the covenants against competition set forth above in this Section shall be in effect from the date of termination, expiration, nonrenewal or transfer until such date as FRANCHISEE has fully complied and for a period of two (2) years thereafter.

In addition, during the term of this Agreement and as long as this Agreement shall be in effect, the FRANCHISEE (and its owners if FRANCHISEE is a business entity), FRANCHISEE's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of FRANCHISEE, shall not, directly or indirectly, engage or be financially interested in, or associated with, or invest in, the ownership or operation of any

shop, center or business which offers or provides the, and/or specializes in the sale, service and/or repair of transmissions or related services unless that shop, center or business is an approved franchise of FRANCHISOR.

Furthermore, during the term of this Agreement and for a period of two (2) years after the expiration and nonrenewal, termination or transfer of this Agreement (and/or any transfer of any of the assets of the Service Center that is not in the ordinary course), FRANCHISEE (and its owners if FRANCHISEE is a business entity), FRANCHISEE's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of FRANCHISEE: (a) shall not, directly or indirectly solicit or otherwise attempt to induce or influence any franchisee, business associate or employee of FRANCHISOR to compete against, or terminate or modify his, her or its franchise, business or employment relationship with FRANCHISOR; and (b) shall not solicit or otherwise attempt to induce or influence any employee of another franchisee to compete against, or terminate or modify his, her or its employment relationship with the franchisee.

## 26. TERMINATION BY FRANCHISOR.

(a) Upon the happening of any of the following events, this Agreement shall, at the sole discretion of FRANCHISOR, immediately terminate upon receipt by FRANCHISEE of written notice of termination:

(i) Any breach or failure by FRANCHISEE to perform any terms or conditions of this Franchise Agreement (except the nonpayment of any monies due) including exhibits, schedules and appendices, or failure by the FRANCHISEE to comply with rules, regulations, or directives promulgated by FRANCHISOR if such default shall continue for thirty (30) days (unless a shorter period is provided for elsewhere in this Franchise Agreement);

(ii) Notwithstanding anything contained in Subsection (a)(i) above to the contrary, upon receipt for any reason by FRANCHISEE of the third notice of default from FRANCHISOR in any consecutive twelve (12)-month period, regardless of whether or not prior defaults were timely cured;

(iii) Notwithstanding anything in Subsection (a)(i) above to the contrary, if FRANCHISEE's default under the terms of this Agreement is the nonpayment of any sum due FRANCHISOR, FRANCHISOR shall notify FRANCHISEE in writing of said default in payment and FRANCHISEE shall have ten (10) days after receipt of such notice to fully pay all amounts owing to FRANCHISOR. In the event payment is not made within said ten (10)-day period, then FRANCHISOR at its option may terminate this Agreement and this Agreement shall immediately terminate on receipt by FRANCHISEE of the notice of termination by FRANCHISOR (unless state law requires a longer period);

(iv) If the location specified in Section 1 of this Agreement is an exact location, failure by FRANCHISEE to commence operations within one hundred twenty (120) days from the date of execution by FRANCHISEE hereof; or if the location specified in Section 1 is a marketing area rather than an exact location, failure to obtain an approved location for the Service Center within the marketing area and to commence operations, all within one (1) year from the date of execution by FRANCHISEE, unless such period is extended by FRANCHISOR in writing;

(v) In the event that FRANCHISEE makes a general assignment or trust mortgage for the benefit of creditors or if the FRANCHISEE shall commit or suffer default under any lease, mortgage, contract or conditional sale, or security instrument, or a petition be filed by or against the FRANCHISEE initiating proceedings under any provisions of the Federal Bankruptcy Code, or if a receiver or similar officer shall be appointed by a court of competent jurisdiction to take charge of all or any part of the FRANCHISEE's property, or if the FRANCHISEE shall fail to perform or observe any of the provisions required to be performed or observed by the FRANCHISEE under any lease or sublease of the FRANCHISEE's premises; provided, however, that should any provision of the Federal Bankruptcy Code prohibit the enforcement of this provision, FRANCHISEE shall remain in default hereunder and no additional notice of default hereunder shall be required if and when such prohibition of enforcement shall



be removed for any reason. It is further understood and agreed that nothing contained herein shall be construed as a release of any rights of FRANCHISOR under the Federal Bankruptcy Code, and notice is hereby given that FRANCHISOR does not consent to any extension of time for acts required thereunder to be performed by FRANCHISEE, all of which must be performed in strict compliance with the Code;

(vi) In the event that FRANCHISEE (or any of its owners) commits any acts of fraud or misrepresentation or conducts its business in a manner likely to impair FRANCHISOR's reputation, goodwill and trade name. Unless required by state law, no notice shall be required under this Section;

(vii) If the FRANCHISEE ceases to operate as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER or closes its MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER for any reason whatsoever and fails to recommence operation as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER or reopen within six (6) days from the date of such closing;

(viii) In the event that FRANCHISEE is in default under any lease or sublease of the FRANCHISEE's premises;

(ix) If the FRANCHISEE (or any of its owners) attempts to sell, sells, or transfers or assigns any of its rights under or interests in this Agreement, or any of the assets of the Center, without approval of FRANCHISOR as provided in Section 23 of this Agreement;

(x) If the FRANCHISEE fails to procure and/or maintain any insurance coverages required by the terms of this Agreement;

(xi) If FRANCHISEE fails to attend any training course or meeting required by FRANCHISOR;

(xii) If FRANCHISEE fails to discharge any employee immediately upon receiving notification that such employee has been convicted of or has plead guilty or "nolo contendere" to any felony, or any crime or offense involving fraud, embezzlement, larceny or other acts of moral turpitude, or any other crime or offense that is likely to be injurious to FRANCHISOR's proprietary marks or the goodwill associated therewith, or upon notification that such employee has been discharged by FRANCHISOR or any other licensee of FRANCHISOR because of conduct by the employee involving fraud, embezzlement, larceny, or other acts of moral turpitude;

(xiii) If FRANCHISEE (or any of its owners) has been convicted of or pleads guilty or "nolo contendere" to any felony, a crime or offense involving fraud, embezzlement, larceny, or acts of moral turpitude that FRANCHISOR believes is, or may be, injurious to FRANCHISOR's proprietary marks or the goodwill associated therewith;

(xiv) If FRANCHISEE fails to honor or pay for Service Center warranties, or if FRANCHISEE's warranty fund is not replenished within ten (10) days of demand by FRANCHISOR;

(xv) If FRANCHISEE voluntarily abandons the franchise business, for more than five (5) days; or

(xvi) FRANCHISEE threatens a material breach, or breaches and fails to cure within any permitted cure period, any default of any other agreement between FRANCHISEE and FRANCHISOR or its subsidiaries and affiliates.

(b) In addition to FRANCHISOR's right to terminate and not in lieu thereof, FRANCHISOR may enter into FRANCHISEE's Service Center and exercise complete authority with respect to the operation thereof until such time as FRANCHISOR shall determine that the default of FRANCHISEE has been cured and that FRANCHISEE is complying with the requirements of this Agreement. FRANCHISEE specifically agrees that a designated representative of FRANCHISOR may take over control and operate

FRANCHISEE's Service Center and that FRANCHISEE shall reimburse FRANCHISOR for the full compensation paid to such representative including the cost of all fringe benefits plus any and all expenses reasonably incurred by such representative so long as he shall be necessary, and in any event until the default has been cured and FRANCHISEE is complying with the terms of this Agreement. In connection with this right, FRANCHISOR may obtain a temporary restraining order as a matter of course from any court of competent jurisdiction enjoining and restraining FRANCHISEE from any interference with the right of FRANCHISOR to enter upon the licensed premises and exercise complete control and authority with respect to the operation of the Service Center.

## 27. PROCEDURES AFTER TERMINATION, EXPIRATION OR NONRENEWAL.

(a) Upon the termination, expiration or nonrenewal of this Agreement for any cause, the FRANCHISEE shall immediately cease operations of any transmission repair or similar business at the location licensed under this Agreement and shall immediately discontinue the use of FRANCHISOR's trade names, trademarks, or service marks, and all goods and materials, including, but not limited to, signs, structures, fixtures, equipment, literature of any kind, including, but not limited to, all forms of advertising and stationery containing or bearing FRANCHISOR's trade names, trademarks, or service marks, or any distinctive color schemes or patterns, symbols, designs, or emblems suggestive of FRANCHISOR or anything in any way connecting FRANCHISOR and FRANCHISEE; and so far as the FRANCHISEE may lawfully do so, shall make or cause to be made such removals of or changes in signs, buildings and structures as the FRANCHISOR shall reasonably direct so as to eliminate the name MR. TRANSMISSION or MULTISTATE TRANSMISSIONS (as the case may be) from the FRANCHISEE's premises, and to effectively distinguish the premises from its former appearance and from any other MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER.

If the FRANCHISEE shall, upon request, fail or omit to make or cause such changes to be made, then without prejudice to FRANCHISOR's other rights and remedies, the FRANCHISOR shall have the right to enter upon FRANCHISEE's premises without being guilty of trespass or any other tort, and to make or cause to be made such changes at the FRANCHISEE's expense. FRANCHISEE hereby appoints FRANCHISOR its attorney-in-fact for the purpose of taking any and all steps and executing any documents necessary to assign and transfer to FRANCHISOR upon termination, expiration or nonrenewal of this Agreement each telephone number, email address, domain name and internet directory listing maintained by FRANCHISEE as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS franchisee. In the event of a termination, expiration or nonrenewal of this Agreement, FRANCHISEE shall take any and all steps and execute any documents as may be necessary to effectuate the transfer(s). Upon termination, expiration or nonrenewal of this Agreement, FRANCHISEE shall not, in any way, use or attempt to use any such telephone number(s), email address(es), domain name(s) or internet directory listing(s), including, but not limited to, having calls forwarded or "ring over" to any other number, having emails forwarded to any other address or having domain names redirected to another website. Upon execution of this Agreement FRANCHISEE shall execute FRANCHISOR's standard form Telephone Service Assignment. Upon termination, expiration or nonrenewal of this Agreement, FRANCHISEE agrees to submit confirmation to FRANCHISOR that all payments due and owing to its telephone service provider and for any advertising, including local Yellow Pages advertising have been made.

FRANCHISEE shall, at its expense and upon request of FRANCHISOR, also remove and deliver to the FRANCHISOR any material which has been loaned by FRANCHISOR to FRANCHISEE, as well as all consigned inventory which may be in FRANCHISEE's possession. FRANCHISEE, upon request of FRANCHISOR, shall sell its entire inventory on hand to FRANCHISOR at the depreciated value of said inventory on FRANCHISEE's books, less freight and handling cost. At FRANCHISOR's request, FRANCHISEE shall turn over any materials, including stationery, business cards, brochures and other advertising materials, customer records, invoices, and repair orders bearing FRANCHISOR's trade names, trademarks, service marks, logos, symbols or designs that are suggestive of the FRANCHISOR or contain FRANCHISOR's trade secrets or other confidential information.

(b) In no event shall termination, expiration or nonrenewal of this Agreement affect, modify or discharge any claims, rights, causes of action or remedies, which FRANCHISOR may have against FRANCHISEE, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination, expiration or nonrenewal of this Agreement. No act of FRANCHISOR taken pursuant to any rights under the terms of this Franchise Agreement, any other agreement, or at law or sounding in equity shall be deemed as a release of FRANCHISEE or consent to any action of FRANCHISEE, nor shall any such act be deemed a novation of this Agreement.

(c) Upon termination, expiration or nonrenewal of this Agreement, FRANCHISOR shall have the right to credit all monies of FRANCHISEE being held under deposit or otherwise, to any debts which the FRANCHISEE owes FRANCHISOR or its subsidiaries or divisions, FRANCHISEE's advertising agent, FRANCHISEE's insurance carrier, the CREATIVE FUND or any local advertising group or pool of which FRANCHISEE is a member. All monies held by FRANCHISOR with respect to Service Center warranties in a warranty fund pursuant to Section 18 of this Agreement shall remain with FRANCHISOR upon termination, expiration or nonrenewal of this Agreement, and will not be credited to the FRANCHISEE. FRANCHISEE shall remain liable for all monies owed pursuant to this Franchise Agreement prior to and after any authorized or unauthorized transfer or attempt to transfer all or any part of FRANCHISEE's rights and interest hereunder, all or any of the assets of the Center, or the cessation of operation as a MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER by FRANCHISEE.

(d) Upon termination, expiration or nonrenewal, FRANCHISEE shall provide FRANCHISOR with a tally of all warranties issued and in effect as of the date of termination or expiration along with an amount representing the total liability associated with such warranties. If the total liability exceeds the then current balance of FRANCHISEE's payment to FRANCHISOR which is held in the warranty fund, FRANCHISEE shall be required to: (i) pay an additional amount equal to the deficiency to FRANCHISOR to be held in the warranty fund; or (ii) deposit the additional amount into an escrow account. After FRANCHISEE's prior balance in the warranty fund is exhausted to satisfy warranty liabilities, FRANCHISOR shall administer the additional funds for such purpose. If warranty liabilities exceed the additional funds, FRANCHISEE shall be required to make subsequent payments or deposits of funds. If FRANCHISEE's debts as described in Section 27(c) have been satisfied and all warranty liabilities are satisfied, other remaining funds shall be refunded or released to FRANCHISEE within sixty (60) days, except however, if the warranties issued by the Center exceeded the scope of a valid warranty pursuant to the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS Warranty Program, or if FRANCHISEE is not compliance with its other obligations hereunder which survive termination or expiration, then FRANCHISOR shall retain any unused additional funds and the FRANCHISEE will not receive a refund of any of the additional funds. FRANCHISOR's requirements set forth in this Section are for the sole purpose of protecting the goodwill associated with FRANCHISOR's name and FRANCHISOR's proprietary marks. Nothing in this Section shall make FRANCHISOR a party to any of the warranty agreements entered into between FRANCHISEE and FRANCHISEE's customers. FRANCHISEE acknowledges that Service Centers issue, honor and service warranties and not FRANCHISOR. Nothing in this Section shall make FRANCHISOR liable for FRANCHISEE's operation of its SERVICE CENTER, liable to FRANCHISEE's customers, or liable for FRANCHISEE's services or repairs, warranty agreements or warranty liabilities.

(e) Without limiting any of provisions listed above, upon termination, expiration or nonrenewal of this Agreement, the FRANCHISEE shall execute such documents and take such action as FRANCHISOR shall deem reasonably necessary or desirable to demonstrate the fact that FRANCHISEE has ceased using the trademarks, trade names, service marks and other distinctive commercial symbols, color schemes, patterns or emblems suggestive of a MR. TRANSMISSION SERVICE CENTER and otherwise has terminated its rights hereunder.

(f) The termination, expiration or nonrenewal of this Agreement shall not affect, modify or discharge any claim, rights or causes of action which FRANCHISOR may have against FRANCHISEE, under this Agreement or otherwise, whether such claims or rights arise before or after termination, expiration or nonrenewal, and FRANCHISEE agrees hereby that in addition to any other damages to which FRANCHISOR may be entitled, and as set forth in Section 41, FRANCHISOR may collect a sum

equal to the value of all future royalty payments which would have been due hereunder for the remainder of the term, which sum shall be computed by FRANCHISOR and based upon the average monthly gross sales (as the term "gross sales" is defined elsewhere in this Agreement) of FRANCHISEE, during the term of this Agreement.

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## 28. OPTIONS TO ASSIGN OR RESELL.

(a) Upon termination, expiration or nonrenewal, FRANCHISOR or its designee (each a "Purchaser" for purposes of this Section 28) shall have the option and exclusive right, but not the obligation, to:

(i) purchase from FRANCHISEE all or any part of the inventory, owned by FRANCHISEE and used in connection with the Service Center for a purchase price equal to the verified price paid by FRANCHISEE plus shipping costs;

(ii) purchase from FRANCHISEE all or any part of the furniture, leasehold improvements, furnishings, fixtures, equipment and other chattels owned by FRANCHISEE and used in connection with the Service Center for a purchase price per item equal to the fair market value of such item as determined by an independent appraiser;

(iii) receive an assignment of FRANCHISEE's interest in all or any leases of the furniture, trade fixtures, equipment and chattels used in connection with the Service Center; and

(iv) receive an assignment of FRANCHISEE's interest in the Lease, subject to the consent of the landlord under the Lease being obtained (if required), which consent FRANCHISEE shall use its best efforts to obtain, provided that the terms of the Lease Addendum shall govern in the event of any conflict with this Section 28(a).

(b) Each of the options set forth in Section 28(a) above may be exercised independent of the others and may only be exercised by written notice given to FRANCHISEE by FRANCHISOR within thirty (30) days of termination, expiration or nonrenewal and each such option shall survive termination, expiration or nonrenewal. If FRANCHISOR exercises either of the options set forth in Section 28(a)(i) or (ii) above, FRANCHISOR shall have the right to set off all amounts due from FRANCHISEE under this Agreement, or any other agreement between FRANCHISOR and FRANCHISEE, if any, against the purchase price.

(c) FRANCHISEE shall and FRANCHISEE shall cause the landlord under the Lease to, take all actions that may be reasonably requested of them to give effect to the option(s) exercised under this Section and/or to the option(s) exercised pursuant to the Lease Addendum, as applicable.

(d) Upon the Purchaser's exercise of any of the options described in this Section, there shall be a binding agreement of purchase and sale between the Purchaser and FRANCHISEE pursuant to which FRANCHISEE shall be bound to sell and/or assign, and the Purchaser shall be bound to purchase or assume, the property and/or interest with respect to which such option(s) was exercised (the "Property"). The closing of the transaction shall occur within thirty (30) days of FRANCHISEE's receipt of the written notice required pursuant to Section 28(b) above. At the closing FRANCHISEE agrees to sell, transfer and assign to the Purchaser good and marketable title to the Property, free and clear of all mortgages, charges, liens, security interests and other encumbrances whatsoever and shall execute and deliver to Purchaser such bills of sale, assignments and other conveyances of title or evidence of transfer and sale as may be necessary to effectuate transfer, give notice and register Purchaser's interest in the Property. Subject to applicable bulk sales legislation, the aggregate purchase price for the Property as determined in Section 28(a) (the "Payment") shall be applied by FRANCHISEE on closing as follows:

(i) first, to the payment of all amounts and owing by FRANCHISEE to FRANCHISOR hereunder or under any other obligation;

(ii) second, to the payment of all amounts required in order to obtain a discharge of all mortgages, liens, charges, security interests and other encumbrances on the Property;

(iii) third, to the payment of all amounts which are due and owing by FRANCHISEE to the landlord under the Lease;

(iv) fourth, to the payment of all amounts which are due and owing by the FRANCHISEE to its trade creditors; and

(v) fifth, to FRANCHISEE.

(e) If FRANCHISEE shall fail to close the transaction within such thirty (30) days, then FRANCHISOR shall be entitled to complete the transaction and obtain possession of the Property (including the licensed premises) by paying the Payment as provided in this Section.

(f) FRANCHISEE irrevocably constitutes and appoints FRANCHISOR as its true and lawful attorney-in-fact and agent for, in the name of and on behalf of FRANCHISEE to execute and deliver in the name of FRANCHISEE all such assignments, transfers (including the transfer of telephone numbers and telephone directory listings and advertisements), bills of sale and other conveyances of title, notices and evidences of transfer as may be necessary to effectively transfer and assign the Property to FRANCHISOR and to give effect to any of the provisions of Section 26(b) and Section 27 of this Agreement.

29. TEMPORARY RIGHT TO OPERATE BUSINESS. Upon termination, expiration or nonrenewal and in order to enable FRANCHISOR to determine whether it will exercise any of its options under Section 28 and to preserve the goodwill associated with FRANCHISOR's name and the proprietary marks, FRANCHISOR (or its designee) shall have the right, but not the obligation, by giving notice to FRANCHISEE, to take immediate exclusive possession of the licensed premises and to operate the Service Center. FRANCHISEE shall give exclusive possession of the licensed premises to FRANCHISOR and shall provide FRANCHISOR with access to all books and records relating to the Service Center business. If FRANCHISOR exercises its rights pursuant to this Section, then the period of time in which FRANCHISOR has to exercise its options in Section 28 shall be extended for thirty (30) additional days. FRANCHISOR shall have the right to terminate its (or its designee's) management of the Service Center at any time. FRANCHISOR shall not be liable or responsible for any losses, costs, expenses or damages suffered by FRANCHISEE during FRANCHISOR's management.

30. ATTORNEY'S FEES AND COLLECTION COSTS. FRANCHISEE shall pay FRANCHISOR all reasonable costs and expenses, including, but not limited to, investigatory costs, collection costs, attorney's fees and court costs, incurred by FRANCHISOR in connection with the collection of any amounts owed to FRANCHISOR hereunder, or any action, suit or legal proceeding involving the enforcement of any provision of this Agreement. In the event FRANCHISEE files a lawsuit against FRANCHISOR, the prevailing party shall be is entitled to collect its reasonable attorneys' fees and costs from the losing party.

31. EQUITABLE RELIEF. The parties hereto agree and stipulate that the restraints upon the FRANCHISEE as described throughout this Agreement, including, but not limited to, those provisions within the Section entitled "COVENANT NOT TO COMPETE" are reasonable with regard to the limitations; necessary for the protection of the FRANCHISOR and its business; and that such restraints will not be unduly burdensome upon the FRANCHISEE. In addition to all the remedies at law available to FRANCHISOR in the event of any breach of this Agreement by the FRANCHISEE, the FRANCHISEE agrees that a violation of any of the covenants, terms or provisions hereof to be performed by FRANCHISEE pursuant to this Agreement will cause irreparable harm to the FRANCHISOR and that the actual amount of damages will be impossible to ascertain. FRANCHISEE agrees that because of the impossibility of determining FRANCHISOR's total damages in the event of such breach, FRANCHISOR shall be entitled as a matter of course to a temporary restraining order, temporary injunction, and/or a permanent injunction from any court of competent jurisdiction without prior notice thereof to FRANCHISEE, which right of notice, if any, is expressly waived with full knowledge and consent of FRANCHISEE, enjoining and restraining the further violation of any provision of this Agreement, prohibiting FRANCHISEE from any interference with the assertion of any rights of FRANCHISOR, and/or

granting possession and control of the Center licensed hereunder to FRANCHISOR. Nothing contained herein shall be construed as in any way limiting the rights of the FRANCHISOR to enforce this Agreement or to avail itself of any remedies available to it in law or in equity or otherwise, or as a waiver of any rights to recover damages from FRANCHISEE for any violation. In the event a bond is required to be posted by the FRANCHISOR in order to obtain injunctive relief hereunder, FRANCHISEE agrees and stipulates that the bond in an amount not to exceed Five Thousand Dollars (\$5,000.00) shall in all instances be adequate.

32. FAILURE TO EXERCISE RIGHTS. No failure of FRANCHISOR to exercise any power or rights given to it hereunder or to insist upon strict compliance with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of FRANCHISOR's right to demand exact compliance with the terms hereof. Waiver by FRANCHISOR of any particular default by FRANCHISEE shall not affect or impair the FRANCHISOR's rights in respect to any subsequent default of the same or a different nature; nor shall any delay or omission of FRANCHISOR to exercise any rights arising from a default affect or impair the FRANCHISOR's rights as to said default or any subsequent default.

33. LEASE. If FRANCHISEE leases or subleases the property on which the franchise will be operated, any such sublease or lease must be attached hereto as Exhibit "1," and FRANCHISEE must provide FRANCHISOR with a copy of such lease prior to the commencement of operation of the MR. TRANSMISSION of MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder. FRANCHISEE further agrees to include the following provisions in any such lease or sublease:

In the event of any breach by FRANCHISEE of any of the provisions contained herein, and in the further event that this Lease shall be terminated by Lessor, or if Lessee shall surrender possession of the premises, or be expelled or removed by Lessor for any reason, or should Lessee be more than thirty (30) days late in the payment of any rental or the performance of any other obligations (whether monetary or otherwise) under the terms of this Lease, Lessor shall give written notice thereof by registered mail to MORAN INDUSTRIES, INC., 4444 West 147th Street, Midlothian, Illinois 60445, and MORAN INDUSTRIES, INC. or its designee shall have the exclusive option within ten (10) days of receipt of said notice to assume in writing with Lessor all of the obligations of Lessee hereunder (including, but not limited to, the obligation of any rental then past due). In the event of such assumption, MORAN INDUSTRIES, INC. or its designee shall acquire all of the right, title, and interest of Lessee in and about said premises.

In addition, should MORAN INDUSTRIES, INC. terminate the Franchise Agreement for the operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER on these premises, MORAN INDUSTRIES, INC. will give notice thereof to Lessor, and the same shall be considered by Lessor and Lessee as a breach of this Lease on the part of Lessee. This notice shall also include a statement of MORAN INDUSTRIES, INC.'s (or its designee's) intent to assume Lessee's obligations hereunder. Upon the receipt of such notice, Lessor shall immediately assign all of the right, title, and interest of Lessee in and about said premises to MORAN INDUSTRIES, INC. (or its designee) under the same terms and conditions as contained in the Lease.

Lessor and Lessee understand and agree that the premises leased hereby shall be operated solely as a licensed MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER unless such requirement is waived in writing by MORAN INDUSTRIES, INC.

Failure to provide such lease or sublease prior to the beginning of operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder and/or failure to include the above provision in any third-party lease shall constitute an item of default hereunder and shall entitle FRANCHISOR to enforce any and all rights and remedies available to it, including, but not limited to, the right to injunctive relief granting possession and control of the premises to FRANCHISOR.

34. SECURITY INTEREST. FRANCHISEE hereby grants to FRANCHISOR a security interest in any and all personal property, equipment, tools, inventory, furniture and fixtures owned by FRANCHISEE and used or usable in connection with the operation of the franchise. FRANCHISOR may take a subordinate position in the security interest if an SBA participating or third party lender requires a first lien and the appropriate documentation of such subordination is executed by all parties. This security interest shall be security for any and all royalties, damages, expenses or other sums owed to FRANCHISOR hereunder and for any other amounts owed by FRANCHISEE to FRANCHISOR. FRANCHISEE agrees to execute any documents, including but not limited to, a UCC-1 (or replacements therefor or extension thereof) reasonably believed by FRANCHISOR to be necessary to perfect said security interest prior to the opening of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder, and hereby appoints FRANCHISOR as its attorney-in-fact for the purpose of executing such documents should FRANCHISEE fail so to do. Except with respect to FRANCHISEE's sales of inventory in the ordinary course of business, FRANCHISEE shall not sell, transfer, lease, sublease, assign, remove, waste, destroy, encumber or relocate any of the property described herein as subject to FRANCHISOR's security interest and shall keep said property secure within the premises of the Service Center. Further, FRANCHISEE shall take no other action which interferes with FRANCHISOR's security interest in said property, unless and until FRANCHISOR releases its security interest in the same.

35. COMPLIANCE WITH LAWS. FRANCHISEE agrees to conduct its business in strict compliance with all applicable laws, ordinances, regulations, and other requirements of any federal, state, county, municipal or other governmental authority, including, but not limited to all laws, ordinances, regulations and requirements relating to: (i) licensing and certification; (ii) occupational hazards and health; (iii) handling, storage and disposal of chemicals, hazardous materials, and other materials of a similar nature; (iv) the Occupational Safety and Health Act; (v) state and federal civil and human rights acts; (vi) environmental matters; (vii) workers' compensation; (viii) insurance; (ix) unemployment insurance and withholding; and (x) payment of federal and state income taxes, Social Security taxes, and sales taxes. FRANCHISEE further agrees to obtain and maintain in effect at its own expense all required permits, licenses, certificates, and other consents for the operation of its business. FRANCHISEE shall immediately upon receipt deliver to FRANCHISOR a copy of any notice or other instrument which alleges a violation of any municipal, state, federal, or any other governmental law, ordinance, rule, regulation, or order of any governmental agency or authority. Further, FRANCHISEE agrees hereby to give notice to FRANCHISOR of any customer complaints made to any consumer agency, including, but not limited to, the Better Business Bureau, state or federal agencies, or other such entities, and further agrees to promptly respond to and answer any such complaints, with a copy of such answer to be provided to FRANCHISOR immediately. Should FRANCHISOR be advised by any such agency of the investigation of FRANCHISEE's business for any reason whatsoever, FRANCHISEE shall fully cooperate in any request for cooperation in such investigation and shall pay any and all expenses incurred by FRANCHISOR therein, including, but not limited to, investigation fees, fines, penalties, court costs, attorney's fees and interest.

36. SEVERABILITY. In the event any of the terms, conditions or clauses of this Agreement shall be determined by a court of competent jurisdiction to be illegal or unenforceable, or be declared by such court to be invalid, then only those terms, conditions or clauses as so determined by the court shall be affected, and all other terms, conditions and clauses hereof shall remain fully valid and enforceable according to law.

Further, in the event any state or other governmental authority has enacted or promulgated, or subsequently enacts or promulgates, any legislation or regulation which affects, alters or controls the terms and substance of this Agreement, such shall automatically become a part of this Agreement and any portions hereof in conflict therewith shall be amended to conform with such legislation or regulation.

37. NOTICE. All notices required hereunder shall be deemed properly given if one party shall mail the same, postage prepaid, to the other by registered or certified mail, Federal Express, UPS, hand delivery or courier service (a) if to the FRANCHISEE, to the address of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER licensed hereunder and/or FRANCHISEE's last



known address; (b) if to FRANCHISOR, to its principal business address, marked to the attention of the President. In the event any notice sent by FRANCHISOR shall be returned for any reason, then it shall be deemed that FRANCHISEE has received proper notice under the terms of this Franchise Agreement, and FRANCHISOR may proceed to enforce its rights hereunder at law or in equity.

38. APPLICABLE LAW/CONSENT TO JURISDICTION. The parties have finalized this Agreement in the City of Midlothian, County of Cook, State of Illinois, and agree that this contract and their actions hereunder will be governed by and construed in accordance with the laws of the State of Illinois which laws shall control in the event of any conflict of law. The parties further agree that any proceedings which arise out of or are connected in any way with this Agreement and/or operation of the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS franchise licensed hereunder will be submitted to the United States District Court for the Northern District of Illinois or any court of record of Cook County, Illinois, and FRANCHISOR and FRANCHISEE irrevocably consent to the exclusive jurisdiction of those courts and waive any objection to either the jurisdiction or venue in those courts. FRANCHISEE (and its owners) agrees that FRANCHISOR may enforce any arbitration award and judgment in the courts of the state or states in which FRANCHISEE is domiciled or FRANCHISEE's MR. TRANSMISSION or MULTISTATE TRANSMISSIONS CENTER is located. This Section is not intended to make applicable any franchise statute, law or regulation that would not otherwise be applicable. Such shall not apply unless the jurisdictional provisions of the same are independently met.

39. LIMITATIONS OF CLAIMS AND CLASS ACTION BAR. EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO FRANCHISOR (INCLUDING, BUT NOT LIMITED TO ANY OBLIGATION TO MAKE PAYMENTS PURSUANT TO SECTION 41 HEREOF), AND TO INDEMNIFY FRANCHISOR PURSUANT TO THIS AGREEMENT, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR PURSUANT TO THIS AGREEMENT SHALL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN: (1) TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED; OR (2) ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.

ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, GROUP-WIDE, JOINT, COMMON, ASSOCIATIONAL OR REPRESENTATIVE BASIS, AND A PROCEEDING BETWEEN FRANCHISOR AND FRANCHISEE OR THE PRINCIPALS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN FRANCHISOR AND FRANCHISEE. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.

40. WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

41. DAMAGES. In the event this Agreement is terminated because of FRANCHISEE's default, the parties agree that in addition to any other damages to which FRANCHISOR may be entitled, FRANCHISOR may collect a sum equal to the value of the royalty fee and advertising fund contributions that would have become due from the date of termination to the scheduled expiration date of this Agreement. For this purpose, royalty fees and the advertising fund contributions shall be calculated based on the product of gross sales of FRANCHISEE's MR. TRANSMISSION or MULTISTATE

TRANSMISSIONS SERVICE CENTER for the twelve (12) months preceding the termination date and years that remained on this Agreement. In the event FRANCHISEE has not continuously operated the MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTER or has failed or refused to consistently or accurately report its gross sales, during the twelve (12)-month period preceding the termination date, royalty fees and advertising fund contributions may either be estimated from such reports as FRANCHISEE has submitted or calculated based on the average monthly gross sales of all MR. TRANSMISSION or MULTISTATE TRANSMISSIONS SERVICE CENTERS during FRANCHISOR's last fiscal year or calculated using any reasonable methodology available to FRANCHISOR.

**42. WAIVER OF JURY TRIAL. FRANCHISOR AND FRANCHISEE HEREBY IRREVOCABLY WAIVE TRIAL BY JURY ON ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM.**

43. IMPROVEMENTS TO METHOD OF OPERATION. FRANCHISOR expressly reserves the right to revise, amend and change, from time to time, the method of operation of MR. TRANSMISSION and MULTISTATE TRANSMISSIONS SERVICE CENTERS, or any part thereof. Any and all such revisions, amendments, changes and improvements developed by FRANCHISOR, FRANCHISEE, or other Franchisees, shall be and become the sole and absolute property of the FRANCHISOR, and FRANCHISOR shall have the sole and exclusive rights to copyright, patent, register and protect such improvements in FRANCHISOR's own name, and FRANCHISEE agrees to abide by any such changes.

44. PRONOUNS AND DEFINITION OF TERMS. ALL TERMS AND WORDS USED IN THIS AGREEMENT REGARDLESS OF THE NUMBER AND GENDER IN WHICH THEY ARE USED SHALL BE DEEMED AND CONSTRUED TO INCLUDE ANY OTHER NUMBER, AND ANY OTHER GENDER, AS THE CONTEXT OR SENSE OF THIS AGREEMENT OR ANY PROVISION HEREOF MAY REQUIRE, AS IF SUCH WORDS HAD BEEN FULLY AND PROPERLY WRITTEN IN THE APPROPRIATE NUMBER AND GENDER. IN THE EVENT THAT THE "FRANCHISEE" CONSISTS OF TWO (2) OR MORE INDIVIDUALS IN A PARTNERSHIP OR IN THE EVENT THAT THE FRANCHISEE IS A CORPORATION OR LIMITED LIABILITY COMPANY, THEN SUCH GENERAL AND LIMITED PARTNERS, SHAREHOLDERS, STOCKHOLDERS, MEMBERS AND MANAGERS OR ANY OTHER INDIVIDUALS HAVING AN OWNERSHIP INTEREST IN "FRANCHISEE" SHALL BE JOINTLY AND SEVERALLY BOUND BY THE TERMS AND OBLIGATIONS OF THIS AGREEMENT AND JOINTLY AND SEVERALLY LIABLE, AND REFERENCES TO THE "FRANCHISEE" IN THIS AGREEMENT SHALL INCLUDE ALL SUCH INDIVIDUALS, GENERAL AND LIMITED PARTNERS, SHAREHOLDERS, AND STOCKHOLDERS, AND MEMBERS AND MANAGERS.

45. CAPTIONS. The Section captions as to contents of a particular Section herein are inserted only for convenience, and are no way to be construed as part of this Franchise Agreement, or as a limitation of the scope of the particular Section to which they refer.

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46. ENTIRE AGREEMENT. NOTHING IN THIS AGREEMENT OR ANY RELATED AGREEMENT IS INTENDED TO DISCLAIM THE REPRESENTATIONS FRANCHISOR MADE IN THE FRANCHISE DISCLOSURE DOCUMENT. THIS DOCUMENT CONTAINS THE ENTIRE AGREEMENT BETWEEN THE PARTIES CONCERNING THE SUBJECT MATTER HEREOF, AND NO REPRESENTATIONS, INDUCEMENTS, PROMISES, OR AGREEMENTS, ORAL OR OTHERWISE, BETWEEN THE PARTIES WITH REFERENCE THERETO AND NOT EMBODIED IN THIS AGREEMENT SHALL BE OF ANY FORCE AND EFFECT EXCEPT FOR OR OTHER THAN THOSE CONTAINED IN THE FRANCHISE DISCLOSURE DOCUMENT. ANY AGREEMENTS MADE HEREINAFTER SHALL BE INEFFECTIVE TO CHANGE, MODIFY, ADD TO OR DISCHARGE IN WHOLE OR IN PART, THE OBLIGATIONS AND DUTIES UNDER THIS AGREEMENT, UNLESS SUCH AGREEMENT IS IN WRITING AND SIGNED BY FRANCHISEE AND BY AN OFFICER OF FRANCHISOR.

ATTEST:

MORAN INDUSTRIES, INC.  
an Illinois corporation d/b/a Moran Family of Brands®

\_\_\_\_\_

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

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

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

ATTEST:

\_\_\_\_\_

\_\_\_\_\_  
"FRANCHISEE"

\_\_\_\_\_

\_\_\_\_\_  
"FRANCHISEE"

ADDRESS OF FRANCHISEE:

\_\_\_\_\_

If FRANCHISEE is a partnership, a corporation, or a limited liability company, this Agreement and all obligations, promises and covenants of FRANCHISEE must be guaranteed individually and personally.

**EXHIBIT 1 TO FRANCHISE AGREEMENT**

**LEASE OR SUBLEASE AND ADDENDUM TO LEASE AGREEMENT**

(Franchisee's lease agreement or sublease agreement for the licensed premises, if any, and the Addendum to Lease Agreement, fully executed by Franchisee and the lessor or landlord for the licensed premises should be attached hereto as Exhibit 1 to the Franchise Agreement)

## **EXHIBIT 2 TO FRANCHISE AGREEMENT**

### **TPM PRO<sup>®</sup> SOFTWARE LICENSE AGREEMENT**

THIS TPM PRO<sup>®</sup> SOFTWARE LICENSE AGREEMENT ("Agreement") is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Moran Industries, Inc., an Illinois corporation d/b/a Moran Family of Brands<sup>®</sup>, with an address of 4444 West 147th Street, Midlothian, Illinois 60445 ("LICENSOR" or "MORAN") and \_\_\_\_\_, an individual with an address of \_\_\_\_\_ ("LICENSEE").

#### **RECITALS**

A. LICENSOR has developed, or has acquired exclusive rights to, and is the sole owner of, a proprietary software program ("TPM PRO<sup>®</sup> Software" or "Software") which is specially designed for use in the operation and management of franchise businesses specializing in the repair, service, and installation of automotive transmissions and businesses offering automotive tune-up and brake services, and related Documentation (as defined below).

B. LICENSEE is contemporaneously entering into or has previously entered into a Franchise Agreement with LICENSOR pursuant to which LICENSEE (as Franchisee) has obtained the right and undertook the obligation to operate a transmission service, automotive tune-up and brakes service, or a co-branded center franchise offering both transmission service and automotive tune-up and brakes service and using MORAN's proprietary trademarks, service marks, logos, trade dress and system.

C. LICENSOR desires to grant to LICENSEE and LICENSEE desires to obtain from LICENSOR a non-exclusive license to use the TPM PRO<sup>®</sup> Software and Documentation solely in accordance with the terms and on the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the promises, undertakings the parties hereto agree as follows:

#### **1. DEFINITIONS**

A. "Designated Equipment" shall mean the hardware products identified in Section 18 hereof with which the TPM PRO<sup>®</sup> Software is licensed for use.

B. "Documentation" shall mean all manuals, videos, user documentation, and other related training, usage and educational materials pertaining to the TPM PRO<sup>®</sup> Software, which are furnished to LICENSEE by LICENSOR in connection with the Software.

C. "License Fee" shall mean an initial fee for Software set forth by LICENSOR to LICENSEE (see Section 19.)

D. "Software" shall have the meaning given to such term in the Recitals above and shall also mean the proprietary computer programs in machine readable object code form listed in Section 18 hereof and any subsequent error corrections or updates supplied to LICENSEE by LICENSOR pursuant to this Agreement.

#### **2. GRANT OF RIGHTS**

The license granted for Software under this Agreement authorizes LICENSEE on a non-exclusive basis to use the Software on the number of primary systems of Designated Equipment identified in

Section 18 hereof for the license term set forth in Section 19 hereof. The Software shall be used only on such primary systems if they are operating properly. If any primary system is down, the Software may be used on a backup system for that primary system.

### **3. DELIVERY & INSTALLATION**

LICENSOR shall deliver to LICENSEE the Software licensed hereunder in object code form and one (1) copy of the Documentation. LICENSOR shall assist LICENSEE in the installation and set-up of the Software on the Designated Equipment.

### **4. TRAINING**

LICENSOR, or its designated representative, shall conduct an initial training program for one or more individuals designated by LICENSEE as TPM PRO<sup>®</sup> Software users. The initial training program shall be scheduled in advance and shall be conducted on dates and times which are arranged between LICENSOR (or its designated representative) and LICENSEE. The initial training program shall consist of the following: (i) an introduction to TPM PRO<sup>®</sup> Software; (ii) use of TPM PRO<sup>®</sup> Software to enhance LICENSEE's daily operations; (iii) use of TPM PRO<sup>®</sup> Software in accordance with MORAN's proprietary systems for the operation of franchise businesses specializing in the repair, service, and installation of automobile transmissions and businesses offering automotive tune-up and brake services; and (iv) use of TPM PRO<sup>®</sup> Software in compliance with the Franchise Agreements between MORAN and its franchisees.

### **5. MODIFICATIONS & MAINTENANCE**

A. Error Corrections and Updates. LICENSOR will provide LICENSEE with error corrections, bug fixes, patches, modifications or other updates to the Software licensed hereunder in object code form to the extent available in accordance with LICENSOR's release schedule.

B. Other Modifications. LICENSEE may, from time to time, request that LICENSOR incorporate certain features, enhancements or modifications into the Software. LICENSOR may, in its sole discretion, undertake to incorporate such changes and distribute the Software so modified to all or any of LICENSOR's other licensees.

C. Title to Modifications. All such error corrections, bug fixes, patches, updates or other modifications shall be the sole property of LICENSOR.

### **6. COPIES**

A. Printed Matter. Except as specifically set forth herein, no Software or Documentation which is provided by LICENSOR pursuant to this Agreement in human readable form, such as written or printed documents, shall be copied in whole or in part by LICENSEE without LICENSOR's prior written agreement.

B. Machine Readable Matter. Except as specifically set forth herein, any Software provided in machine readable form may not be copied by LICENSEE in whole or in part.

### **7. LICENSE FEES AND PAYMENT**

A. License Fee. In consideration of the license rights granted in Sections 2, 3, and 4 above, LICENSEE shall pay the License Fees for the Software and Documentation as set forth in Section 19 hereof. All License Fees payable hereunder by LICENSEE, shall be payable in United States funds without deductions for taxes, assessments, fees, or charges of any kind. Checks shall be made payable to Moran Industries, Inc. and shall be forwarded to Moran Industries, Inc. as follows:

Moran Industries, Inc.  
4444 W. 147<sup>th</sup> Street  
Midlothian, Illinois 60445

B. Taxes and Other Charges. LICENSEE shall be responsible for paying all (i) sales, use, excise, value-added, or other tax or governmental charges imposed on the licensing or use of the Software or Documentation hereunder, (ii) freight, insurance and installation charges, and (iii) import or export duties or like charges.

## **8. PROTECTION OF TPM PRO<sup>®</sup> SOFTWARE**

A. Proprietary Notices. LICENSEE agrees to respect and not to remove, obliterate, or cancel from view any copyright, trademark, confidentiality or other proprietary notice, mark, or legend appearing on any of the Software or output generated by the Software.

B. No Reverse Engineering. LICENSEE agrees not to modify, reverse engineer, disassemble, or decompile the Software, or any portion thereof.

C. Ownership. LICENSEE further acknowledges that the Software in any form provided by LICENSOR is the sole property of Moran Industries, Inc. LICENSEE shall not have any right, title, or interest to any such Software except as provided in this Agreement, and further shall secure and protect all Software and Documentation consistent with the maintenance of Moran Industries, Inc.'s proprietary rights therein.

## **9. CONFIDENTIALITY**

A. Acknowledgement. LICENSEE hereby acknowledges and agrees that the Software and Documentation constitute and contain valuable proprietary products and trade secrets of LICENSOR, embodying substantial creative efforts and confidential information, ideas, and expressions. Accordingly, LICENSEE agrees to treat (and take precautions to ensure that its employees treat) the Software and Documentation as confidential in accordance with the confidentiality requirements and conditions set forth below.

B. Maintenance of Confidential Information. Each party agrees to keep confidential all confidential information disclosed to it by the other party in accordance herewith, and to protect the confidentiality thereof in the same manner it protects the confidentiality of similar information and data of its own (at all times exercising at least a reasonable degree of care in the protection of confidential information); provided, however, that neither party shall have any such obligation with respect to use of or disclosure to others not parties to this Agreement of such confidential information as can be established to: (i) have been known publicly; (ii) have been known generally in the industry before communication by the disclosing party to the recipient; (iii) have become known publicly, without fault on the part of the recipient, subsequent to disclosure by the disclosing party; (iv) have been known otherwise by the recipient before communication by the disclosing party; or (v) have been received by the recipient without any obligation of confidentiality from a source (other than the disclosing party) lawfully having possession of such information.

C. Certain Disclosures by LICENSOR Permitted. Notwithstanding the obligations set forth in Section 9.B. above, LICENSOR may, in its capacity as Franchisor, may disclose certain sales data, and other business-related data to its other franchisees. In this same capacity, LICENSOR may also use such data to prepare and disclose financial performance representations in Franchise Disclosure Documents, provided however, no specific franchisee shall be identified in any financial performance representation. Further, LICENSOR (in its capacity as Franchisor) may use certain data to prepare comparative sales graphs and charts for disclosure to all franchisees via its Intranet.

D. Injunctive Relief. LICENSEE acknowledges that the unauthorized use, transfer, disclosure or copying of the Software and Documentation will (i) substantially diminish the value to LICENSOR of the trade secrets and other proprietary interests that are the subject of this Agreement; (ii) render LICENSOR's remedy at law for such unauthorized use, disclosure, transfer or copying inadequate; and (iii) cause irreparable injury in a short period of time. If LICENSEE breaches any of its obligations with respect to the use or confidentiality of the Software or Documentation, LICENSOR shall be entitled to equitable relief to protect its interests therein, including, but not limited to, preliminary and permanent injunctive relief.

E. Survival. LICENSEE's obligations under this Section 9 will survive the expiration and nonrenewal or termination of this Agreement or of any license granted under this Agreement for whatever reason.

## **10. WARRANTIES; SUPERIOR RIGHTS**

A. Ownership. LICENSOR represents that it is the owner of the entire right, title, and interest in and to the Software, and that it has the sole right to grant licenses thereunder, and that it has not knowingly granted licenses thereunder to any other entity that would restrict rights granted hereunder except as stated herein.

B. Limited Warranty. LICENSOR represents and warrants to LICENSEE that the Software, when used with the Designated Equipment, will perform substantially as described in LICENSOR's then current Documentation for such Software.

C. Limitations. Notwithstanding the warranty provisions set forth in Section 10.B above, all of LICENSOR's obligations with respect to such warranties shall be contingent on LICENSEE's use of the Software in accordance with this Agreement and in accordance with LICENSOR instructions as provided by LICENSOR in the Documentation, as such instructions may be amended, supplemented, or modified by LICENSOR from time to time. LICENSOR shall have no warranty obligations with respect to any failures of the Software which are the result of accident, abuse, misapplication, extreme power surge, extreme electromagnetic field, or any other equipment malfunction or failure. LICENSOR may charge a fee to restore the Software following a failure resulting from any of the above causes.

D. DISCLAIMER OF WARRANTIES. LICENSOR DOES NOT REPRESENT OR WARRANT THAT ALL ERRORS IN THE SOFTWARE AND DOCUMENTATION WILL BE CORRECTED. THE WARRANTIES STATED IN SECTION 10.B ABOVE ARE THE SOLE AND THE EXCLUSIVE WARRANTIES OFFERED BY LICENSOR. THERE ARE NO OTHER WARRANTIES RESPECTING THE SOFTWARE AND DOCUMENTATION OR SERVICES PROVIDED HEREUNDER, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, ANY WARRANTY OF DESIGN, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE, EVEN IF LICENSOR HAS BEEN INFORMED OF SUCH PURPOSE. NO AGENT OF LICENSOR IS AUTHORIZED TO ALTER OR EXCEED THE WARRANTY OBLIGATIONS OF LICENSOR AS SET FORTH HEREIN.

E. LIMITATION OF LIABILITY. LICENSEE ACKNOWLEDGES AND AGREES THAT THE CONSIDERATION WHICH LICENSOR IS CHARGING HEREUNDER DOES NOT INCLUDE ANY CONSIDERATION FOR ASSUMPTION BY LICENSOR OF THE RISK OF LICENSEE'S CONSEQUENTIAL OR INCIDENTAL DAMAGES WHICH MAY ARISE IN CONNECTION WITH LICENSEE'S USE OF THE SOFTWARE AND DOCUMENTATION. ACCORDINGLY, LICENSEE AGREES THAT LICENSOR SHALL NOT BE RESPONSIBLE TO LICENSEE FOR ANY LOSS-OF-PROFIT, INDIRECT, INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THE LICENSING OR USE OF THE SOFTWARE OR DOCUMENTATION. ANY PROVISION HEREIN TO THE CONTRARY NOTWITHSTANDING, THE MAXIMUM LIABILITY OF LICENSOR AND ITS AGENTS TO ANY PERSON, FIRM OR CORPORATION WHATSOEVER ARISING OUT OF OR IN THE CONNECTION WITH ANY LICENSE, USE OR OTHER EMPLOYMENT OF ANY SOFTWARE



DELIVERED TO LICENSEE HEREUNDER, WHETHER SUCH LIABILITY ARISES FROM ANY CLAIM BASED ON BREACH OR REPUDIATION OF CONTRACT, WARRANTY, TORT OR OTHERWISE, SHALL IN NO CASE EXCEED THE INITIAL LICENSE FEE PAID TO LICENSOR BY LICENSEE FOR THE SOFTWARE WHOSE LICENSE, USE, OR OTHER EMPLOYMENT GIVES RISE TO THE LIABILITY. THE ESSENTIAL PURPOSE OF THIS PROVISION IS TO LIMIT THE POTENTIAL LIABILITY OF LICENSOR ARISING OUT OF THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THE LIMITATIONS SET FORTH IN THIS SECTION 10 ARE INTEGRAL TO THE AMOUNT OF CONSIDERATION LEVIED IN CONNECTION WITH THE LICENSE OF THE SOFTWARE AND DOCUMENTATION AND ANY SERVICES RENDERED HEREUNDER AND THAT, WERE LICENSOR TO ASSUME ANY FURTHER LIABILITY OTHER THAN AS SET FORTH HEREIN, SUCH CONSIDERATION WOULD OF NECESSITY BE SET SUBSTANTIALLY HIGHER.

## **11. INDEMNIFICATION**

A. LICENSOR shall indemnify, hold harmless and defend LICENSEE against any action brought against LICENSEE to the extent that such action is based on a claim that the unmodified Software, when used in accordance with this Agreement, infringes a United States copyright and LICENSOR shall pay all costs, settlements and damages finally awarded; provided, that LICENSEE promptly notifies LICENSOR in writing of any claim, gives LICENSOR sole control of the defense and settlement thereof and provides all reasonable assistance in connection therewith. If any Software is finally adjudged to so infringe, or in LICENSOR's opinion is likely to become the subject of such a claim, LICENSOR shall, at its option, either: (i) procure for LICENSEE the right to continue using the Software (ii) modify or replace the Software to make it non-infringing, or (iii) recall the Software and upon return of the Software, LICENSOR shall have no liability regarding any claim arising out of: (a) use of other than a current, unaltered release of the Software unless the infringing portion is also in the then current, unaltered release, (b) use of the Software in combination with non-LICENSOR software, data or equipment if the infringement was caused by such use or combination, (c) any modification or derivation of the Software not specifically authorized in writing by LICENSOR or (d) use of third party software. THE FOREGOING STATES THE ENTIRE LIABILITY OF LICENSOR AND THE EXCLUSIVE REMEDY FOR LICENSEE RELATING TO INFRINGEMENT OR CLAIMS OF INFRINGEMENT OF ANY COPYRIGHT OR OTHER PROPRIETARY RIGHT BY THE SOFTWARE.

B. Except for the foregoing infringement claims, LICENSEE shall indemnify and hold harmless, LICENSOR, their officers, agents and employees from and against any claims, demands, or causes of action whatsoever, including, without limitation, those arising on account of LICENSEE's modification or enhancement of the Software or otherwise caused by, or arising out of, or resulting from, the exercise or practice of the license granted hereunder by LICENSEE, its subsidiaries or their officers, employees, agents or representatives.

## **12. DEFAULT AND TERMINATION**

A. Events of Default. This Agreement may be terminated by the non-defaulting party if any of the following events of default occur: (i) if a party materially fails to perform or comply with this Agreement or any provision hereof; (ii) if either party fails to strictly comply with the provisions of Section 9 (Confidentiality) or makes an assignment in violation of Section 14 (Non-assignability); (iii) if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; (iv) if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or (v) if such a petition is filed by any third party, or an application for a receiver is made by anyone and such petition or application is not resolved favorably within ninety (90) days.

B. Effective Date of Termination. Termination due to a material breach of Section 2 (Grant of Rights), 6 (Copies), 8 (Protection of Software), or 9 (Confidentiality) shall be effective on notice. In all other cases, termination shall be effective thirty (30) days after notice of termination to the defaulting party if the defaults have not been cured within such thirty (30) day period.

C. Termination Due to System Modification. Pursuant to the Franchise Agreement between the parties, Moran may modify its specifications for Designated Equipment from time to time and may require LICENSEE, as its Franchisee, to discontinue its use of the Software. If Moran requires LICENSEE to discontinue its use of the Software, then following such an occurrence, this Agreement shall terminate.

D. Termination Due to Termination, Transfer, Expiration or Nonrenewal of Franchise Agreement. This Software license is contingent upon LICENSEE's right (pursuant to a Franchise Agreement with Moran) to operate a franchise business that offers transmission service, automotive tune-up and brakes service, or both transmission service and automotive tune-up and brakes service and using MORAN's proprietary trademarks, service marks, logos, trade dress and proprietary system. In the event of a termination, transfer, expiration or nonrenewal of LICENSEE's Franchise Agreement, this Agreement shall terminate.

E. Obligations on Termination. Within ten (10) days after termination of this Agreement, LICENSEE shall cease and desist all use of the Software and Documentation and shall return to LICENSOR its authorized copy and any unauthorized copies of the Software and Documentation in LICENSEE's possession or under its control.

### **13. NOTICES**

All notices, authorizations, and requests in connection with this Agreement shall be deemed given (i) five days after being deposited in the U.S. mail, postage prepaid, certified or registered, return receipt requested; or (ii) one day after being sent by overnight courier, charges prepaid, with a confirming fax; and addressed as first set forth above or to such other address as the party to receive the notice or request so designates by written notice to the other.

### **14. NONASSIGNABILITY**

LICENSEE shall not assign this Agreement or sublicense its rights hereunder without the prior written consent of LICENSOR.

### **15. GOVERNING LAW; JURISDICTION AND VENUE**

The laws of the State of Illinois shall govern the validity, interpretation, construction and performance of this Agreement. The Illinois state courts of Cook County, Illinois (or, if there is exclusive federal jurisdiction, the United States District Court for the Northern District of Illinois) shall have exclusive jurisdiction and venue over any dispute arising out of this Agreement, and LICENSEE hereby consents to the jurisdiction of such courts.

### **16. SEVERABILITY**

If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

## 17. MISCELLANEOUS

This Agreement and its exhibits contain the entire understanding and agreement between the parties respecting the subject matter hereof. This Agreement may not be supplemented, modified, amended, released or discharged except by an instrument in writing signed by each party's duly authorized representative. All captions and headings in this Agreement are for purposes of convenience only and shall not affect the construction or interpretation of any of its provisions. Any waiver by either party of any default or breach hereunder shall not constitute a waiver of any provision of this Agreement or of any subsequent default or breach of the same or a different kind.

## 18. MINIMUM SYSTEM SPECIFICATIONS

LICENSEE shall be required to procure the Designated Equipment and Software set forth below. Minimum specifications may be modified by LICENSOR and LICENSEE shall conform to such modifications as may be required by LICENSOR for the successful operation and use of the Software.

System/Software Minimum Requirements:

Designated Equipment
HP Compaq 4000 Pro Small Form Factor PC - <u>Operating System</u> : Intel® Core™ 2 Duo Processor E7600 (3.06 GHz, 3 MB L2 cache, 1066 MHz FSB) - <u>Memory</u> : 4GB 1333 MHz DDR3 non-ECC Unbuffered SDRAM - <u>Internal Drive</u> : 500 GB 7200 rpm SATA 3.0 Gb/s NCQ, Smart IV - <u>Optical Drive</u> : SATA SuperMulti LightScribe DVD writer - <u>Ports</u> : 8 USB 2.0, 1 serial
HP Compaq LE1711 17-inch LCD Monitor
HP USB Mouse/Keyboard/Mouse Pad Kit
Lexmark Platinum Pro905 Printer
APC Backup
Software/Accounts
POP3 Email Server Account
Genuine Windows® 7 Professional 32 or 64-bit (preinstalled on PC)
Microsoft Office Home and Business 2010 or newer (Includes Word, Excel, PowerPoint, One Note and Outlook)
QuickBooks Professional
Webroot Internet Security Complete Antivirus Software (or equivalent program)
Filemaker Pro II Software*

**19. CONSIDERATION**

In connection with this Agreement Licensee shall pay the following consideration:

License, Set-Up and Subscription Fees:

A. For a Single Brand Service Center:

\$2,500 Software License & Set-Up Fee

\$75.00/month Subscription Fee; Monthly subscription fee payments begin 4 months after installation

B. For a Co-Brand Service Center:

\$2,800 Software License & Set-Up Fee

\$75.00/month Subscription Fee; Monthly subscription fee payments begin 4 months after installation

Software License and Set-Up Fee includes the purchase price of Filemaker Pro II Software. Subscription Fees are required to be paid via ACH debit. License, Set-Up and Subscription Fees are subject to future changes upon thirty (30) days notice.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first set forth above.

MORAN INDUSTRIES, INC.  
D/B/A MORAN FAMILY OF BRANDS®

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

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

LICENSEE

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

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

## EXHIBIT 3 TO FRANCHISE AGREEMENT

### NONDISCLOSURE AND NON-COMPETITION AGREEMENT

**THIS NONDISCLOSURE AND NON-COMPETITION AGREEMENT** (this "Agreement") made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, ("Effective Date") is by and between \_\_\_\_\_ ("FRANCHISEE") (d/b/a a MR. TRANSMISSION® or MULTISTATE TRANSMISSIONS® Franchise or a MR. TRANSMISSION or MULTISTATE TRANSMISSION / MILEX® COMPLETE AUTO CARE "Co-Brand" Franchise), Moran Industries, Inc., an Illinois corporation d/b/a Moran Family of Brands®, ("COMPANY") and \_\_\_\_\_ of \_\_\_\_\_ (State), ("INDIVIDUAL") (collectively, the "Parties").

#### WITNESSETH:

WHEREAS, FRANCHISEE is a party to that certain franchise agreement dated \_\_\_\_\_, 20\_\_ (the "Franchise Agreement") by and between FRANCHISEE and COMPANY; and

WHEREAS, FRANCHISEE desires INDIVIDUAL to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, FRANCHISEE is required by the Franchise Agreement to have INDIVIDUAL execute this Agreement prior to providing INDIVIDUAL access to said Trade Secrets and other Confidential Information; and

WHEREAS, INDIVIDUAL understands the necessity of not disclosing any such information to any other party or using such information to compete against COMPANY, FRANCHISEE or any other franchisee of COMPANY in any business (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) transmission repair, transmission service and general automotive service or repair (if applicable) and/or other services or products the same as or similar to those provided by FRANCHISEE or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of FRANCHISEE, or COMPANY, any affiliate of COMPANY or COMPANY's other franchisees (hereinafter, "Competitive Business"); provided, however, that the term "Competitive Business" shall not apply to any business operated by FRANCHISEE under a Franchise Agreement with COMPANY.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the Parties hereby mutually agree as follows:

#### **1. Trade Secrets and Confidential Information**

INDIVIDUAL acknowledges and understands FRANCHISEE possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords and lists of actual or potential customers or suppliers) related to or used in the development and/or operation of Mr. Transmission, Multistate Transmissions or Co-Brand Service Centers that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and non-technical information used in or related to the development and/or operation of Mr. Transmission, Multistate Transmissions or Co-Brand Service Centers that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the operating manual and training guides and materials. In addition, any other information identified as confidential when delivered by FRANCHISEE shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of INDIVIDUAL; (ii) INDIVIDUAL can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure by FRANCHISEE pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by COMPANY or FRANCHISEE as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve INDIVIDUAL of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. INDIVIDUAL understands FRANCHISEE's providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between INDIVIDUAL and FRANCHISEE with respect to the Trade Secrets and other Confidential Information.

## **2. Confidentiality/Non-Disclosure**

a) INDIVIDUAL shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of FRANCHISEE, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, INDIVIDUAL must take all steps reasonably necessary and/or requested by FRANCHISEE to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. INDIVIDUAL must comply with all applicable policies, procedures and practices that FRANCHISEE has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) INDIVIDUAL's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination or expiration of INDIVIDUAL's relationship with FRANCHISEE, regardless of the reason or reasons for termination or expiration, and whether such termination or expiration is voluntary or involuntary, and FRANCHISEE and/or COMPANY are entitled to communicate INDIVIDUAL's obligations under this Agreement to any future customer or employer to the extent deemed necessary by FRANCHISEE and/or COMPANY for protection of their rights hereunder and regardless of whether INDIVIDUAL or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Mr. Transmission, Multistate Transmissions or Co-Brand Service Center.

## **3. Non-Competition**

a) During the term of INDIVIDUAL's relationship with FRANCHISEE and for a period of two (2) years after the expiration or termination of INDIVIDUAL's relationship with FRANCHISEE, regardless of the cause of expiration or termination, INDIVIDUAL shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of FRANCHISEE to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the COMPANY's trademarks "Mr. Transmission<sup>®</sup>," "Multistate Transmissions<sup>®</sup>," and Milex<sup>®</sup>," (if applicable) and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the COMPANY designates to be used in connection with Mr. Transmission, Multistate Transmissions, or Co-Brand Service Centers or the COMPANY's uniform standards, methods, procedures and specifications for the establishment and operation of Mr. Transmission, Multistate Transmissions and Co-Brand Service Centers.

b) During the term of INDIVIDUAL's relationship with FRANCHISEE, INDIVIDUAL shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within the United States without the express written consent of FRANCHISEE and COMPANY.

c) For a two (2) year period following the term of INDIVIDUAL's relationship with FRANCHISEE, regardless of the cause of termination, INDIVIDUAL shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business within a twenty-five (25) mile radius of FRANCHISEE's Mr. Transmission, Multistate Transmissions or Co-Brand Service Center or within twenty-five (25) miles of any other Mr. Transmission, Multistate Transmissions and Co-Brand Service Center without the express written consent of FRANCHISEE and COMPANY.

d) During the term of INDIVIDUAL's relationship with FRANCHISEE and for a period of two (2) years thereafter, regardless of the cause of termination, INDIVIDUAL shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of FRANCHISEE, COMPANY or any other Mr. Transmission, Multistate Transmissions or Co-Brand Service Center to compete against, or terminate or modify his, her or its employment or business relationship with, FRANCHISEE, COMPANY or any other Mr. Transmission, Multistate Transmissions or Co-Brand Service Center.

#### **4. Reasonableness of Restrictions**

INDIVIDUAL acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of FRANCHISEE, COMPANY, and COMPANY's Trade Secrets and other Confidential Information, the COMPANY's business system, network of franchises and trade and service marks, and INDIVIDUAL waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then INDIVIDUAL shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the Parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

#### **5. Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition**

INDIVIDUAL further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause FRANCHISEE and COMPANY immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, FRANCHISEE and COMPANY shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by INDIVIDUAL of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that FRANCHISEE and COMPANY may have at law or in equity.

#### **6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between INDIVIDUAL, COMPANY and FRANCHISEE with respect to the subject matter hereof. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the Parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Illinois (without reference to its conflict of laws principles). References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) **ANY ACTION BROUGHT BY ANY OF THE PARTIES, SHALL ONLY BE BROUGHT IN THE APPROPRIATE STATE OR FEDERAL COURT LOCATED IN OR SERVING COOK COUNTY, ILLINOIS. THE PARTIES WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSES OF CARRYING OUT THIS PROVISION. CLAIMS FOR INJUNCTIVE RELIEF MAY ALSO BE BROUGHT BY COMPANY OR FRANCHISEE WHERE FRANCHISEE IS LOCATED. THIS EXCLUSIVE CHOICE OF JURISDICTION AND VENUE PROVISION SHALL NOT RESTRICT THE ABILITY OF THE PARTIES TO CONFIRM OR ENFORCE JUDGMENTS OR AWARDS IN ANY APPROPRIATE JURISDICTION.**

d) INDIVIDUAL agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the Effective Date and shall be binding upon the successors and assigns of INDIVIDUAL and shall inure to the benefit of FRANCHISEE and COMPANY and their subsidiaries, successors and assigns.

f) The failure of any Party to insist upon performance in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of the other Parties with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by INDIVIDUAL, FRANCHISEE and COMPANY.

j) The existence of any claim or cause of action INDIVIDUAL might have against FRANCHISEE or COMPANY will not constitute a defense to the enforcement by FRANCHISEE or COMPANY of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon FRANCHISEE or COMPANY pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

**INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT**



**RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.**

**THE PARTIES ACKNOWLEDGE THAT THE COMPANY SHALL BE ENTITLED TO ENFORCE THIS AGREEMENT WITHOUT THE COOPERATION OF THE FRANCHISEE. INDIVIDUAL AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF THE COMPANY.**

**IN WITNESS WHEREOF**, FRANCHISEE and COMPANY have hereunto caused this Agreement to be executed by its duly authorized officer, and INDIVIDUAL has executed this Agreement, all being done in triplicate originals with one (1) original being delivered to each Party.

WITNESS:

\_\_\_\_\_

FRANCHISEE:

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

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

WITNESS:

\_\_\_\_\_

INDIVIDUAL:

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

Name Printed: \_\_\_\_\_

WITNESS:

\_\_\_\_\_

COMPANY:

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

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

## EXHIBIT F

### GUARANTEE AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTEE AND ASSUMPTION OF OBLIGATIONS IS GIVEN THIS \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ (the "GUARANTOR[S]").

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date (the "Agreement") by Moran Industries, Inc. d/b/a Moran Family of Brands® (the "FRANCHISOR") and \_\_\_\_\_ (the "FRANCHISEE"), each of the undersigned hereby personally and unconditionally (a) guarantees to FRANCHISOR, and its successor and assigns, for the term of the Agreement and thereafter, as provided in the Agreement, that FRANCHISEE shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each of the undersigned waives; (1) acceptance and notice of acceptance by FRANCHISOR for the foregoing undertaking; (2) notice of demand for payment of any indebtedness or non performance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right he or she may have to require that an action be brought against FRANCHISEE or any other person as a condition of liability. Each of the undersigned consents and agrees that; (1) his or her direct and immediate liability under this guarantee shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so; (3) liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may grant to FRANCHISEE or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of the Agreement.

Each of the undersigned GUARANTORS represents and warrants that, if no signature appears below for such GUARANTOR's spouse, such GUARANTOR is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each GUARANTOR hereby consents and agrees that:

(a) GUARANTOR's liability under this undertaking shall be direct, immediate, and independent of the liability of, and shall be joint and several with, FRANCHISEE and the other owners of FRANCHISEE;

(b) GUARANTOR shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses punctually to do so;

(c) This undertaking shall survive any renewal or amendment of the Agreement including, but not limited to, the addition to the Agreement of a corporation or other business entity which is owned by FRANCHISEE as an additional franchisee and FRANCHISEE's execution of FRANCHISOR's then current franchise agreement upon renewal;

(d) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to FRANCHISEE or any assignee or successor of FRANCHISEE or by any abandonment of the Agreement by a trustee of FRANCHISEE. Neither the GUARANTOR's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of FRANCHISEE or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(e) FRANCHISOR may proceed against GUARANTOR and FRANCHISEE jointly and severally, or FRANCHISOR may, at its option, proceed against GUARANTOR, without having commenced any action, or having obtained any judgment against FRANCHISEE. GUARANTOR hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed;

(f) Any action hereunder shall be governed by and construed in accordance with the laws of the State of Illinois which laws shall control in the event of any conflict of law. GUARANTOR agrees that any disputes, suits or actions hereunder will be submitted to the United States District Court for the Northern District of Illinois or any court of record of Cook County, Illinois and GUARANTOR irrevocably consents to the exclusive jurisdiction of those courts and waives any objection to either the jurisdiction or venue in those courts. Nothing in this paragraph (f) precludes enforcement of an award or judgment in a court of the state where GUARANTOR is domiciled or where GUARANTOR's assets are located. This paragraph (f) is not intended to make applicable any franchise statute, law or regulation that would not otherwise be applicable. Such shall not apply unless the jurisdictional provisions of the same are independently met; and

(g) GUARANTOR agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against GUARANTOR.

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

**GUARANTOR(S)**

**PERCENTAGE OWNERSHIP IN  
FRANCHISEE**

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Signature

The undersigned, as the spouse of the GUARANTOR indicated below, acknowledges and consents to the guarantee given herein by his/her spouse. Such consent also serves to bind the assets of the marital estate to GUARANTOR's performance of this Guarantee.

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Name of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

\_\_\_\_\_  
Signature of Guarantor's Spouse

**GUARANTOR NOTARIZATION**

STATE OF \_\_\_\_\_ )  
 ) SS:  
COUNTY OF \_\_\_\_\_ )

I, the undersigned, a Notary Public in and for said county and state, do hereby certify that \_\_\_\_\_, of \_\_\_\_\_, \_\_\_\_\_, personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed, sealed and delivered the said instrument as his/her free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Notary Public: \_\_\_\_\_

My commission expires: \_\_\_\_\_

## EXHIBIT G

### FRANCHISEE LIST OF OFFICERS AND DIRECTORS

\_\_\_\_\_  
(FRANCHISEE)

If FRANCHISEE is a corporation or a limited liability company, all persons having an ownership interest in FRANCHISEE'S business entity shall be identified below:

#### I. OWNERS:

\_\_\_\_\_  
Owner's Name and Title % of Ownership Interest

\_\_\_\_\_  
Owner's Primary Residential Address

\_\_\_\_\_  
Owner's Telephone Number

\_\_\_\_\_  
Owner's Name and Title % of Ownership Interest

\_\_\_\_\_  
Owner's Primary Residential Address

\_\_\_\_\_  
Owner's Telephone Number

\_\_\_\_\_  
Owner's Name and Title % of Ownership Interest

\_\_\_\_\_  
Owner's Primary Residential Address

\_\_\_\_\_  
Owner's Telephone Number

\_\_\_\_\_  
Owner's Name and Title % of Ownership Interest

\_\_\_\_\_  
Owner's Primary Residential Address

\_\_\_\_\_  
Owner's Telephone Number

\_\_\_\_\_  
Owner's Name and Title % of Ownership Interest

\_\_\_\_\_  
Owner's Primary Residential Address

\_\_\_\_\_  
Owner's Telephone Number

**II. OFFICERS AND DIRECTORS:** (IF FRANCHISEE HAS ANY OFFICERS OR DIRECTORS WHO ARE NOT OWNERS OF FRANCHISEE, PROVIDE INFORMATION BELOW):

---

**Officer or Director's Name and Title**

---

Officer or Director's Primary Residential Address

---

Officer or Director's Telephone Number

---

**Officer or Director's Name and Title**

---

Officer or Director's Primary Residential Address

---

Officer or Director's Telephone Number

---

**Officer or Director's Name and Title**

---

Officer or Director's Primary Residential Address

---

Officer or Director's Telephone Number

---

**Officer or Director's Name and Title**

---

Officer or Director's Primary Residential Address

---

Officer or Director's Telephone Number

---

**Officer or Director's Name and Title**

---

Officer or Director's Primary Residential Address

---

Officer or Director's Telephone Number

## EXHIBIT H

### MR. TRANSMISSION® OR MULTISTATE TRANSMISSIONS® / MILEX® COMPLETE AUTO CARE CO-BRANDING FRANCHISE ADDENDUM

This Co-Branding Addendum ("Addendum") is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Moran Industries, Inc., an Illinois corporation d/b/a Moran Family of Brands®, with an address of 4444 West 147th Street, Midlothian, Illinois 60445 ("FRANCHISOR") and \_\_\_\_\_, an individual with an address of \_\_\_\_\_ ("FRANCHISEE").

#### BACKGROUND

A. Contemporaneous with the execution of this Addendum, FRANCHISEE executed a franchise agreement with FRANCHISOR (the "Franchise Agreement"), pursuant to which FRANCHISEE obtained the right and undertook the obligation to operate a transmission service center under the trademark "Mr. Transmission" and/or "Multistate Transmissions" for a term of twenty (20) years at a single approved location (the "Mr. Transmission or Multistate Transmissions Center").

B. Through the expenditure of money, time and effort, FRANCHISOR has also developed a distinct and proprietary method business format for the operation of automotive tune-up and brakes service centers (the "System"), the distinguishing characteristics of which include proprietary operating procedures and standards and specifications for products and services, as amended from time to time in FRANCHISOR's sole discretion.

C. The System is identified by proprietary trademarks, service marks, trade dress, logos and other indicia of origin including, without limitation, the trade name "Milex Complete Auto Care" and logo (the "Proprietary Marks").

D. FRANCHISOR offers franchises to qualified individuals for the right to use the System and Proprietary Marks at a single approved location referred to as, "Milex Complete Auto Care Centers."

E. FRANCHISOR continues to develop, expand, use, control and add to the Proprietary Marks and System for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of the products and services marketed thereunder and to represent the System's high standards of quality and service.

F. FRANCHISEE desires to obtain the right to operate a Milex Complete Auto Care Center and seeks a license to use the System and Proprietary Marks as part of a co-branded automotive center in which the System and the Proprietary Marks will be operated in conjunction with, and at the same location as, FRANCHISEE's Mr. Transmission or Multistate Transmissions Center (the "Co-Branded Center").

G. This Addendum shall apply to the establishment and operation of a Milex Complete Auto Care Center under the Systems and Proprietary Marks in conjunction with the Franchise Agreement at the Co-Branded Center and does not otherwise alter the parties' rights and obligations contained within the Franchise Agreement, unless clearly stated to the contrary.

#### AGREEMENT

NOW THEREFORE, in consideration of the promises, undertakings and commitments of each party to the other party contained in this Addendum, the parties mutually agree as follows:

##### 1. CO-BRANDING FEE

In consideration of the rights granted under this Addendum, FRANCHISEE shall pay to FRANCHISOR, upon or before the execution of this Addendum, an initial nonrecurring, nonrefundable fee



in the amount of Five Thousand Dollars (\$5,000.00) (the "Co-Branding Fee"). The Co-Branding fee is in addition to the Franchise Fee listed in the Franchise Agreement.

## **2. GRANT**

A. FRANCHISOR hereby grants to FRANCHISEE, a non-exclusive license to use the System and Proprietary Marks only at the Co-Branded Center and only in conjunction with its operation of the Mr. Transmission or Multistate Transmissions / Milex Co-Branded Center.

B. For the purposes of this Addendum, all references to the "Mr. Transmission or Multistate Transmissions Service Center", "Center" or "Service Center" in the Franchise Agreement shall be interpreted to include the Co-Branded Center and the operation of the Co-Branded Center contemplated under this Addendum.

C. The term of this Addendum shall be concurrent with the Term of the Franchise Agreement as the same may be renewed or earlier terminated.

## **3. TRAINING**

Prior to opening the Co-Branded Center, FRANCHISEE and its manager(s) (if any), must attend and complete to FRANCHISOR's satisfaction, FRANCHISOR's mandatory training program for the operation of Co-Branded Centers.

## **4. COMPUTER SYSTEMS**

FRANCHISEE agrees to purchase, install and use all computer systems which FRANCHISOR may require and consisting of hardware and software in accordance with FRANCHISOR's specifications for the operation of Co-Branded Centers. FRANCHISEE shall use the computer systems to maintain FRANCHISEE's business records, customer information, and sales and other financial information in a format specified by FRANCHISOR in operating manuals or by other communication. FRANCHISOR's specifications may include the requirement to purchase and use hardware, software, and installation, maintenance and/or technical support services supplied by one or more approved suppliers, which may include FRANCHISOR or an affiliate. If FRANCHISOR or an affiliate is an approved supplier, FRANCHISEE may be required to execute software licenses, technical support services agreements, or other agreements, as applicable. FRANCHISEE hereby agrees to submit reports to FRANCHISOR electronically. FRANCHISEE further agrees to access and use FRANCHISOR's Intranet in accordance with FRANCHISOR's policies and procedures. FRANCHISOR may modify specifications for and components of required computer systems from time to time. FRANCHISOR's modification may require FRANCHISEE to purchase, lease, and/or license new or modified computer hardware and/or software and to obtain service and support for the systems.

FRANCHISEE further agrees to attend any training program required by FRANCHISOR in connection with the operation of the required computer systems, at FRANCHISEE's sole cost and expense.

In addition to the reports required in the preceding Sections, FRANCHISEE agrees to furnish FRANCHISOR on a weekly basis, the following reports, including but not limited to (i) Daily/Weekly Co-Branded Center Report, (ii) Weekly Co-Branded Center Report, (iii) Cash Received Report, (iv) Co-Branded Center Summary Report, (v) Completed/Not Delivered Report, and (vi) Co-Branded Center Activity Report via the Intranet.

FRANCHISOR shall have full access to FRANCHISEE's computer systems, all sales data and all related information by means of direct access, either in person or by telephone, modem or Internet to permit FRANCHISOR to verify FRANCHISEE's compliance with its obligations under the Franchise Agreement and this Addendum. FRANCHISEE further agrees hereby that FRANCHISOR may, without any further approval being required, poll FRANCHISEE's computer systems and obtain any and all

information contained therein, by any necessary method, including but not limited to, direct telephone connection, at any time deemed necessary by FRANCHISOR, whether on a routine basis or under special circumstances.

## **5. PROPRIETARY MARKS**

A. The definition of proprietary marks in the Franchise Agreement shall include without limitation, the trade names "Milex Complete Auto Care" "Milex Tune Up and Brakes", "Milex Service Center", "Milex" and "Milex Car."

B. Section 7 of the Franchise Agreement is hereby amended to specifically include the trademarks, service marks and trade names "Milex Complete Auto Care", "Milex Tune Up and Brakes", "Milex Service Center" and "Milex" each and every time the trademarks "Mr. Transmission" or "Multistate Transmissions" or "Mr. Transmission Service Center" or "Multistate Transmissions Service Center" are referenced.

## **6. ONGOING FEES**

A. Gross Sales. The definition of "gross sales" in Section 12 of the Franchise Agreement shall include without limitation all sales of any kind whatsoever made regardless of whether cash payment is actually received by FRANCHISEE at the time of the transaction, including credit card sales and accounts receivable sales, in connection with the exercise of the rights granted under this Addendum, including without limitation all sales generated by the Co-Branded Center, including those sales rendered under the System or Proprietary Marks.

B. Advertising.

1. Moran Creative Fund and Milex Creative Fund. Section 19(a) of the Franchise Agreement is hereby amended to the extent necessary to specify that in connection with its operation of a Co-Branded Center, FRANCHISEE shall contribute to both the Moran Creative Fund and a Milex Creative Fund. FRANCHISEE's total monthly contribution to the Moran Creative Fund and the Milex Creative Fund shall be equal to one percent (1%) of its gross sales or a minimum of Two Hundred Dollars (\$200.00) per month (whichever is greater). FRANCHISOR shall allocate FRANCHISEE's contribution between the two funds. FRANCHISEE shall make such contributions at the times and in the manner described in the Franchise Agreement. Throughout the remainder of Section 19(a) all references to the Moran Creative Fund shall be amended to include reference to the Milex Creative Fund.

2. Local Advertising and Advertising Pools. Section 19(b) is hereby amended to include the required participation of FRANCHISEE in any Milex Complete Auto Care local advertising group. Specifically, FRANCHISEE agrees to share local advertising expenses with other Milex Complete Auto Care franchisees in related, adjoining or overlapping Designated Marketing Area (as designated by FRANCHISOR), to participate fully in and cooperate with any Milex Complete Auto Care local advertising group now in existence or hereinafter established and to execute any documents in connection with such local advertising which FRANCHISEE is reasonably requested to execute by FRANCHISOR or the local advertising group. FRANCHISEE shall execute an Agreement to Participate in a Local Advertising Group at the time of FRANCHISEE's execution of this Addendum. Should FRANCHISEE fail or refuse to execute any such documents, FRANCHISEE hereby appoints any officer of FRANCHISOR as his attorney-in-fact to execute such documents in FRANCHISEE's place and stead. All decisions of the local advertising pool shall be final as to FRANCHISEE, and all such decisions shall be based upon majority rule, with each Milex Complete Auto Care Center in the pool having one (1) vote. If the FRANCHISEE fails to pay promptly any amount due his advertising agency or his local advertising group or pool, then either FRANCHISOR or all other franchisees of FRANCHISOR in the local advertising group or pool of which FRANCHISEE is a member, or the local advertising group or pool shall be entitled to recover the amount due from the FRANCHISEE. FRANCHISEE recognizes that all local advertising inures to his benefit and to the benefit of all franchisees in the local advertising group. FRANCHISEE

acknowledges that despite failure to contribute its proportionate share, local advertising expenditures confer substantial benefits on it, and further acknowledges its responsibility for payment therefore. FRANCHISOR, in addition to any remedies available to it for default under this Addendum and the Franchise Agreement, reserves the right to have or allow the local advertising group to seek the enforcement of this obligation, and FRANCHISEE shall be liable for and pay all costs and expenses thereof, including, but not limited to, attorneys' fees and court costs.

## **7. CO-BRANDED CENTER WARRANTIES**

Section 18 is hereby amended to include honoring Milex Complete Auto Care warranties. Specifically, FRANCHISEE agrees to honor each Milex Complete Auto Care warranty agreement presented by a customer at FRANCHISEE's Co-Branded Center in accordance with the terms thereof, irrespective of whether the repair was originally completed at FRANCHISEE's Co-Branded Center or any other authorized Milex Complete Auto Care. In addition, FRANCHISEE shall comply at all times with FRANCHISOR's policies in force and effect from time to time concerning the Milex Complete Auto Care Warranty Program. Without limiting the foregoing, FRANCHISEE shall also satisfy legitimate customer complaints concerning any service performed or parts sold pursuant to the Warranty Program.

FRANCHISEE, upon complying with the provisions of this Section with respect to the customer of another Milex Complete Auto Care Center, shall be reimbursed by the other service center upon making written demand upon such service center in accordance with FRANCHISOR's intershop warranty policies and procedures.

FRANCHISEE agrees to pay via credit card within twenty-four (24) hours after such demand by any other Milex Complete Auto Care franchisee the amount due to such franchisee for the honoring of a warranty to a customer of FRANCHISEE. If FRANCHISEE fails to timely pay such amount, FRANCHISEE shall be in default of this Addendum and the Franchise Agreement, and in addition to any remedies it may have for breach of this Addendum and Franchise Agreement, FRANCHISOR shall be entitled to recover such amount from FRANCHISEE for the benefit of the franchisee which honored the warranty, but FRANCHISOR shall not be obligated to do so.

## **8. CONFIDENTIAL INFORMATION**

FRANCHISEE acknowledges the confidential nature of the information, manuals, trade secrets, computer software, intranet access and procedures, which will be made available to FRANCHISEE by FRANCHISOR pursuant to this Addendum. FRANCHISEE agrees not to divulge, directly or indirectly (except to authorized employees of the FRANCHISEE), any trade secret, or other confidential information, furnished to FRANCHISEE by FRANCHISOR. FRANCHISEE specifically agrees that the provisions of Section 22 of the Franchise Agreement shall govern the FRANCHISEE's obligations with respect to confidential information provided pursuant to this Addendum.

## **9. ASSIGNMENT BY FRANCHISEE**

FRANCHISEE's rights under this Addendum to use the Proprietary Marks and System are not assignable or transferable under any circumstances except in conjunction with the Franchise Agreement pursuant to the terms and conditions of Section 23 of the Franchise Agreement. FRANCHISEE's interest in the assets of the transmission and general automotive service center business are not transferable or assignable, except pursuant to the terms and conditions of Section 23 of the Franchise Agreement. All references in Section 23 of the Franchise Agreement to the "assets of the transmission service center business" shall be amended to include the "assets of the transmission and general automotive service center business."

## **10. COVENANT NOT TO COMPETE**

Section 25 of the Franchise Agreement is amended to add that: For a period of two (2) years following the expiration, nonrenewal, termination or transfer of this Addendum and/or the Franchise

Agreement, (or transfer of any of the assets of the Co-Branded Center that is not in the ordinary course), FRANCHISEE (and its owners if FRANCHISEE is a business entity), FRANCHISEE's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of FRANCHISEE, shall not, directly or indirectly, engage or be financially interested in, or associate with, or invest in, the ownership or operation of any shop, center or business located in the Co-Branded Center's premises or within a radius of twenty-five (25) miles from the Co-Branded Center's premises or any other Milex Complete Auto Care Center, which shop, center or business offers, provides or specializes in the sale, service, and/or repair of tune-up and brakes or related services. If any part of this restriction is found by a court of law to be unreasonable in time, scope and/or distance, the restriction may be reduced in time, scope and/or distance by an appropriate order of the court to that deemed reasonable. This restriction shall include, but is not limited to, such action as cessation of operation as a Milex Complete Auto Care Center at the Co-Branded Center's premises, and FRANCHISEE understands and agrees hereby that in such event, FRANCHISEE may not operate a tune-up and brake repair or service facility from the Co-Branded Center's premises during the two (2)-year period stated herein. If FRANCHISEE has not fully complied with its other obligations upon termination, expiration, nonrenewal or transfer, the covenants against competition set forth above in this paragraph shall be in effect from the date of termination, expiration, nonrenewal or transfer until such date as FRANCHISEE has fully complied and for a period of two (2) years thereafter.

In addition as long as this Addendum shall be in effect, FRANCHISEE (and its owners if FRANCHISEE is a business entity), FRANCHISEE's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of FRANCHISEE, shall not, directly or indirectly, engage or be financially interested in, or associated with, or invest in, the ownership or operation of any shop, center or business specializing in sale, service and/or repair of tune-up and brakes or related services unless that shop, center or business is an approved franchise of FRANCHISOR.

## **11. TERMINATION**

A. Section 26 of the Franchise Agreement is hereby amended to include termination as a result of a breach of any obligation arising from this Addendum. Specifically, any breach or failure by FRANCHISEE to perform any of the terms, obligations or conditions of this Addendum or of the Franchise Agreement shall render the Franchise Agreement and Addendum terminable under the same terms and conditions listed in Section 26.

B. Section 26(a)(7) of the Franchise Agreement is hereby amended to include the FRANCHISEE's cessation of operation as a Co-Branded Center.

## **12. PROCEDURES AFTER TERMINATION, OR EXPIRATION AND NONRENEWAL**

A. Section 27(c) is hereby amended to include the Milex Creative Fund as well as any Milex Complete Auto Care local advertising group or pool of which FRANCHISEE is a Member. Specifically, FRANCHISEE agrees that upon termination, or expiration and nonrenewal of this Addendum and Franchise Agreement, FRANCHISOR shall have the right to credit all monies of FRANCHISEE being held under deposit or otherwise, to any debts which the FRANCHISEE owes FRANCHISOR or its subsidiaries, divisions or affiliates, FRANCHISEE's advertising agent, FRANCHISEE's insurance carrier, the Milex Creative Fund or any local advertising group or pool of which FRANCHISEE is a member.

B. Section 27(d) is hereby amended to include Milex Complete Auto Care warranties issued by the Co-Brand Center. Any references in Section 27(d) of the Franchise Agreement to "Mr. Transmission or Multistate Transmissions," "the Center or Service Center" and "the Mr. Transmission or Multistate Transmissions Warranty Program" shall be amended to include references to "Milex Complete Auto Care," "the Co-Brand Center" and "the Milex Complete Auto Care Warranty Program."

C. Section 27(e) is hereby amended to include the Proprietary Marks and the distinctive commercial symbols, color schemes, patterns or emblems suggestive of a Milex Complete Auto Care center. Specifically, FRANCHISEE agrees that upon expiration and nonrenewal or termination of this Addendum and Franchise Agreement, FRANCHISEE shall execute such documents and take such action as FRANCHISOR shall deem reasonably necessary or desirable to demonstrate the fact that FRANCHISEE has ceased using the trademarks, trade names, service marks and other distinctive commercial symbols, color schemes, patterns or emblems suggestive of a Milex Complete Auto Care center.

D. Section 27(f) is hereby amended to include claims, rights, or causes of action, which FRANCHISOR may have against FRANCHISEE under this Addendum. Specifically, FRANCHISEE agrees that the expiration and nonrenewal or termination of this Addendum and Franchise Agreement shall not affect, modify or discharge any claims, rights, or causes of action which FRANCHISOR may have against FRANCHISEE, under this Addendum, the Franchise Agreement or otherwise, whether such claims or rights arise before or after expiration and nonrenewal or termination.

### **13. TERMS OF FRANCHISE AGREEMENT ENFORCEABLE**

All other terms of the Franchise Agreement shall remain in full force and effect. Any term defined in the Franchise Agreement which is not defined in this Addendum will be ascribed the meaning given to it in the Franchise Agreement.

### **14. FULL AGREEMENT**

The Franchise Agreement and this Addendum constitute the entire, full and complete agreement between FRANCHISOR and FRANCHISEE concerning the subject matter hereof and supersedes any and all prior agreements. In the event of a conflict or inconsistency between this Addendum and the Franchise Agreement, the terms and intent of this Addendum shall control.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

ATTEST:

MORAN INDUSTRIES, INC.  
D/B/A MORAN FAMILY OF BRANDS®

\_\_\_\_\_

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

FRANCHISEE

\_\_\_\_\_  
Witness

\_\_\_\_\_

## EXHIBIT I

### CONVERSION FRANCHISE ADDENDUM

This Conversion Franchise Addendum, made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, is by and between Moran Industries, Inc. d/b/a Moran Family of Brands® ("Franchisor") and \_\_\_\_\_ ("Franchisee").

#### WITNESSETH:

WHEREAS, Franchisor and Franchisee are concurrently entering into that certain Franchise Agreement of even date herewith for the establishment and operation of a Mr. Transmission® or Multistate Transmissions® Center (the "Franchise Agreement");

WHEREAS, Franchisor and Franchisee may also be concurrently entering into that certain Milex® Co-Branding Franchise Addendum of even date herewith for the establishment and operation of a Mr. Transmission or Multistate Transmissions / Milex® Complete Auto Care Co-Branded Center (the "Co-Branding Addendum");

WHEREAS, Franchisee presently owns and operates an independent transmission service center, and such business is not associated with, a party to a contract with or otherwise obligated to any other company pursuant to a license, franchise, joint venture, marketing or other such agreement;

WHEREAS, Franchisee desires to convert its currently operating business to a Mr. Transmission or Multistate Transmissions Center or a Mr. Transmission or Multistate Transmissions / Milex Complete Auto Care Co-Brand Center\*;

WHEREAS, Franchisor and Franchisee desire to supplement and amend certain terms and conditions of the Franchise Agreement and the Co-Branding Addendum, if applicable, to better suit the requirements of such conversion; and

WHEREAS, Franchisee acknowledges that by entering into the Franchise Agreement (and Co-Branding Addendum, if applicable) (as amended by this Conversion Franchise Addendum), it will be subject to certain restrictions regarding competition and confidentiality both during and after the term of the Franchise Agreement.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

1. This Conversion Franchise Addendum shall form an integral part of the Franchise Agreement (and Co-Branding Addendum, if applicable) and shall have such force and effect as is fully set forth therein. The provisions of this Conversion Franchise Addendum shall govern, control, and supersede any inconsistent or conflicting provisions of the Franchise Agreement (and Co-Branding Addendum, if applicable).

2. The following Sections of the Franchise Agreement (and Co-Branding Addendum, if applicable) are amended as indicated:

Section 1. "Grant." of Franchise Agreement -

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\* Capitalized terms not otherwise defined herein have the meanings given to them in the Franchise Agreement (and Co-Branding Addendum, if applicable).

This Section 1 is revised to the extent necessary to require that Franchisee shall commence operations as a Mr. Transmission or Multistate Transmissions Center at the location specified in this Section within sixty (60) days from the date hereof, or the Franchise Agreement (at Franchisor's option) may be terminated.

Section 1. "Grant." of Franchise Agreement -

"If Franchisee is a party to an existing lease for the location specified in this Section, Franchisee shall cause such lease to be modified or amended so that it's lease meets with Franchisor's approval and conforms with the requirements of this Section 1. Further, Franchisee shall execute with Franchisor and shall cause its Landlord or Lessor to execute an addendum to the lease which is the same as or similar to Franchisor's standard form Lease Addendum, except that no provision shall be added to the lease requiring an assignment of lease to Franchisor or a designee." is inserted at the end of the fourth paragraph of this Section.

Section 12. "Royalty Fee." of Franchise Agreement-

The first paragraph of this Section shall be deleted and the following shall be inserted in its place: "Prior to execution of the Franchise Agreement, Franchisor shall establish the median gross sales for Franchisee's existing independent transmission service center. During the first three (3) years of the term of the Franchise Agreement, Franchisee shall pay to Franchisor, (in weekly amounts to be received by Franchisor by Friday of each week), a royalty fee in a sum equal to the sum of two percent (2%) of Franchisee's median gross sales plus seven percent (7%) of gross sales above median gross sales. At the conclusion of the first three (3) years of the term of the Franchise Agreement, the royalty fee which Franchisee shall pay to Franchisor shall be equal to seven percent (7%) of gross sales."

Section 25. "Covenant Not To Compete." of Franchise Agreement and

Section 10. "Covenant Not To Compete." of Co-Branding Addendum (if Applicable)-

Section 25 of the Franchise Agreement is deleted and the following new section is inserted: "Franchise Agreement: Section 25. Covenant Not To Compete. During the term of the Franchise Agreement, Franchisee, (and its owners if Franchisee is a business entity), Franchisee's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of Franchisee, shall not, directly or indirectly, engage or be financially interested in, or associated with, or invest in, the ownership or operation of any shop, center, or business which offers or provides, and/or specializes in the sale, service, and/or repair of transmissions or related services, except any Mr. Transmission or Multistate Transmissions Service Centers that may be expressly authorized by Franchisor from time to time under a franchise agreement.

In addition, for a period of two (2) years following the expiration and nonrenewal, termination or transfer of the Franchise Agreement, or any transfer of any of the assets of the Service Center not in the ordinary course, Franchisee, (and its owners if Franchisee is a business entity), Franchisee's spouse and other immediate family members (and each of

its owners' spouses and other immediate family members), and any other person acting in concert with or on behalf of Franchisee, shall not offer, sell or provide from the location of the licensed premises or within a twenty-five (25) mile radius of the licensed premises or within a twenty-five (25) mile radius of any then-existing Mr. Transmission or Multistate Transmissions Service Center, any product or service that is offered at that time by Mr. Transmission or Multistate Transmissions Service Centers that Franchisee did not offer, sell or provide in its operation of its independent transmission service center prior to its conversion to a Mr. Transmission or Multistate Transmissions Service Center.

If any part of this restriction is found by a court of law to be unreasonable in time, scope and/or distance, the restriction may be reduced in time, scope and/or distance by an appropriate order of the court to that deemed reasonable."

If Franchisee and Franchisor have concurrently entered into a Co-Branding Addendum, then Section 10 of such Addendum shall also be deleted and the paragraphs above shall be amended to include covenants against competition during the term of the Franchise Agreement with respect to the ownership or operation of any shop, center, or business which offers or provides, and/or specializes in general automotive repair service. In addition, within the above paragraphs, all references to: "Mr. Transmission or Multistate Transmissions Service Center(s)," shall be amended to include "Milex Complete Auto Care Service Center(s)."

Section 26 "Termination By Franchisor." of Franchise Agreement-

In subsection (a)(4) of this Section "one hundred twenty (120) days" shall be deleted and "sixty (60) days" shall be inserted in lieu thereof.

Section 27 "Procedures After Termination, or Expiration and Nonrenewal." of Franchise Agreement- Subsection (a)-

"Provided, however, and notwithstanding the foregoing, if Franchisee converted an existing independent transmission service center into a Mr. Transmission or Multistate Transmissions Service Center, then following expiration and nonrenewal, or termination, Franchisee shall not be required to cease all transmission service center operations at the licensed location. Franchisee may continue to offer any product or service that it offered prior to converting to a Mr. Transmission or Multistate Transmissions Service Center. Franchisee shall be required to cease to offer any product or service offered by Mr. Transmission or Multistate Transmissions Service Centers that it did not offer prior to its conversion." shall be added to the end of the first paragraph of Subsection (a).

Section 27 "Procedures After Termination, or Expiration and Nonrenewal." of Franchise Agreement- Subsection (a)-

"Provided, however, Franchisee shall not be required to sell to Franchisor any portion of Franchisee's inventory that Franchisee has on hand at the time of termination or expiration and nonrenewal, which inventory is the same as inventory that Franchisee would have carried in



its conduct of its independent transmission service center prior to its conversion." is added to the end of Subsection (a).

Section 33 "Lease." of Franchise Agreement-

"Provided, however, in the event that Franchisee shall establish its Mr. Transmission or Multistate Transmissions Service Center (or Co-Brand Center, if applicable) through a conversion of its currently operating independent transmission service center and if such operates under a lease, then Franchisee shall not be required under this Section to have terms and conditions added to such lease which provide for an assignment of Franchisee's lease to Franchisor or Franchisor's designee. Further, Franchisee's failure to include such provision in its lease shall not constitute a default of the Franchise Agreement." is added to the end of this Section.

3. All other sections of the Franchise Agreement and the Co-Branding Addendum (if applicable) shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed this Conversion Franchise Addendum to the Franchise Agreement and Co-Branding Addendum (if applicable).

ATTEST:

MORAN INDUSTRIES, INC.  
D/B/A MORAN FAMILY OF BRANDS®

\_\_\_\_\_

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

FRANCHISEE

\_\_\_\_\_  
Witness

\_\_\_\_\_

**EXHIBIT J**

**AUTHORIZATION AGREEMENT FOR AUTOMATED PAYMENTS**

## AUTHORIZATION AGREEMENT FOR AUTOMATED PAYMENTS

Company Name(s):     ☐ MORAN INDUSTRIES, INC.                   ☐ MORAN CREATIVE FUND  
**Select Company(s)**   ☐ MILEX CREATIVE FUND                   ☐ ALTA MERE CREATIVE FUND

Company ID(s)\_\_\_\_\_

I (we) hereby authorize the above-selected company(s), hereinafter called COMPANY(S), to initiate *debit* entries *equal to my payment checked below to my* (our) ☐Checking ☐Savings Account (**select one**) at the depository financial institution named below, hereinafter called DEPOSITORY and to debit the same such account. As to debit entries for weekly royalty payments, if a weekly report is not received by Wednesday of each week, an amount equal to the center's most recent 10 week average will be debited. I (we) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. law.

### Select All That Apply:

☐ Weekly ☐ Monthly Royalty Payment

☐ Weekly ☐ Monthly Note Payment

☐ Monthly Creative Fund Payment(s) ☐ Moran ☐ Moran-Milex ☐ Milex ☐ Alta Mere ☐ Milex-Alta Mere

☐ Monthly TPM PRO<sup>®</sup> Subscription Fee ☐ New Center ☐ Center Converting from MIMS ☐ All Others

Depository Name\_\_\_\_\_

Branch\_\_\_\_\_

City\_\_\_\_\_State\_\_\_\_\_Zip\_\_\_\_\_

Routing Number\_\_\_\_\_Account Number\_\_\_\_\_

Routing Number\_\_\_\_\_Account Number\_\_\_\_\_

This authorization is to remain in full force and effect until COMPANY has received written notification from me (or either of us) of its termination in such time and in such manner as to afford COMPANY and DEPOSITORY a reasonable opportunity to act on it.

Name(s)\_\_\_\_\_ ID No.\_\_\_\_\_  
(Please Print)

\_\_\_\_\_ ID No.\_\_\_\_\_  
(Please Print)

Signed X\_\_\_\_\_

Signed X\_\_\_\_\_

Date\_\_\_\_\_

**NOTE: ALL WRITTEN DEBIT AUTHORIZATIONS MUST PROVIDE THAT THE RECEIVER MAY REVOKE THE AUTHORIZATION ONLY BY NOTIFYING THE ORIGINATOR IN THE MANNER SPECIFIED IN THE AUTHORIZATION.**

***Please attach a voided check from the account on which the debit authorization is to be placed.***

Any modification to this ACH Authorization Agreement must be requested in writing and submitted to [ach@moranbrands.com](mailto:ach@moranbrands.com) or via fax @ (708) 844-0211.

## EXHIBIT K

### AGREEMENT TO PARTICIPATE IN LOCAL ADVERTISING GROUP

This agreement entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, a Mr. Transmission<sup>®</sup> or Multistate Transmissions<sup>®</sup> franchisee ("FRANCHISEE") and \_\_\_\_\_, a Mr. Transmission or Multistate Transmissions Advertising Group (the "GROUP").

#### WITNESSETH:

WHEREAS, FRANCHISEE and the GROUP acknowledge that advertising is necessary to the successful operation as a franchisee of a Mr. Transmission or Multistate Transmissions Service Center; and

WHEREAS, Franchisee and the Group acknowledge that advertising by all Mr. Transmission<sup>®</sup> or Multistate Transmissions<sup>®</sup> franchisees within a local market directly benefits all Mr. Transmission or Multistate Transmissions Service Centers in that local market.

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, FRANCHISEE and the GROUP do covenant and agree as follows:

1. The GROUP shall formulate, develop and administer a local advertising program which shall be for the benefit of all members of the GROUP, including FRANCHISEE. The GROUP and each franchisee are ultimately responsible for compliance with Federal, State and Local Laws and Regulations regarding advertising.

2. FRANCHISEE shall fully discharge his/its obligation to cooperate with and participate in the advertising program established by the GROUP and approved by Moran Industries, Inc. (the "FRANCHISOR").

3. In the event that FRANCHISEE is in default of any money due the GROUP or fails to participate in any advertising program of the GROUP and make payment for it, FRANCHISEE shall be subject to a five percent (5%) delinquency charge above the amount of the monies actually billed to FRANCHISEE by the GROUP, plus attorney fees and expenses necessary in the event such default is referred to an attorney for collection.

4. FRANCHISEE shall prepare and submit to the GROUP as directed by the GROUP any and all information required to administer and develop the local Mr. Transmission or Multistate Transmissions advertising program.

5. FRANCHISEE's obligations hereunder shall be for a period of equal duration to the duration of his/its franchise agreement with FRANCHISOR and any renewal thereof.

6. FRANCHISEE's obligation to pay its share of local advertising shall begin the first full week after the actual date of the opening of FRANCHISEE's Mr. Transmission or Multistate Transmissions Service Center. If the center is an existing location, the FRANCHISEE shall pay a prorated share from the actual date of the closing.

7. FRANCHISEE shall, upon request, execute any agreements requested by the GROUP which are necessary to effectuate the purposes of this Agreement.

8. FRANCHISEE shall pay to the GROUP for GROUP advertising and administration an amount to be determined from time to time as outlined in the Franchise Agreement.

9. Such payments shall be mailed each Monday for the previous week's assessment.

10. The FRANCHISOR reserves the right to form, change, dissolve or merge cooperatives based on changes in the Designated Marketing Area as defined by the Nielson Rating System.

FRANCHISEE: \_\_\_\_\_

## EXHIBIT L

### ADDENDUM TO LEASE AGREEMENT

**THIS AGREEMENT** is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among **Moran Industries, Inc. d/b/a Moran Family of Brands®** (hereinafter referred to as "FRANCHISOR"), an Illinois corporation with a principal business address of 4444 W. 147<sup>th</sup> Street, Midlothian, Illinois 60445; \_\_\_\_\_ (hereinafter referred to as the "LANDLORD"), with a principal business address of \_\_\_\_\_; and \_\_\_\_\_ [Franchisee] (hereinafter referred to as the "TENANT"), with an address of \_\_\_\_\_.

### WITNESSETH:

**WHEREAS**, the LANDLORD and the TENANT have executed a lease agreement dated \_\_\_\_\_, (the "Lease") for the premises located at \_\_\_\_\_ (the "Leased Premises") for use by the TENANT as a business to be operated pursuant to FRANCHISOR's proprietary marks and system in connection with a written Franchise Agreement dated \_\_\_\_\_, by and between FRANCHISOR and the TENANT (the "Franchise Agreement");

**WHEREAS**, a condition to the approval of the TENANT's specific location by the FRANCHISOR is that the Lease for the Leased Premises designated for the operation of a **Mr. Transmission® or Multistate Transmissions® Service Center** (hereinafter the "Franchised Business") contains the terms and conditions set forth herein;

**WHEREAS**, according to Section 33 of the Franchise Agreement, all right, title and interest in and to the Lease may be assigned to FRANCHISOR or its designee upon the termination, or expiration and nonrenewal of the Franchise Agreement; and

**WHEREAS**, it is the intent of the parties hereto to provide FRANCHISOR with the opportunity to preserve the Leased Premises as a Franchised Business in the event of any default, termination, or expiration and nonrenewal of said Lease or Franchise Agreement and to assure the LANDLORD that in the event Franchisor exercises its rights herein contained, any defaults of the TENANT under the Lease will be cured by FRANCHISOR or its designee before it or its designee takes possession of the Leased Premises.

1. Use Clause. The Leased Premises shall be used for the operation of a specialized transmission retail service center providing repair and service of automobile transmissions and related repairs and services and identified by the trademark **Mr. Transmission** or **Multistate Transmissions** or any other name designated by FRANCHISOR.

The LANDLORD acknowledges that such use shall not violate any then existing exclusives granted to any existing tenant of the LANDLORD. The LANDLORD further acknowledges that during the term of this Lease or any extension thereof, the LANDLORD will not lease space within the location of the Franchised Business to a business similar to the TENANT's.

LANDLORD represents and warrants that the Leased Premises has no existing building code violations and is properly zoned for its intended use.

2. Default of Lessee under Lease. The LANDLORD shall mail to FRANCHISOR copies of any notice of default or termination it gives to the TENANT concurrently with giving such notices to the TENANT. If the TENANT fails to cure a default within the period provided in the Lease, if any, the

LANDLORD shall give FRANCHISOR immediate written notice of such failure to cure. The LANDLORD shall thereupon offer to FRANCHISOR (or to FRANCHISOR's designee) and FRANCHISOR or its designee shall have the right to accept an assignment of the lease or a new lease containing the same terms and conditions of the Lease, whichever FRANCHISOR elects. If FRANCHISOR elects to continue (or to have its designee continue) the use of the Leased Premises under an assignment of the Lease or a new lease, it shall so notify the LANDLORD in writing within thirty (30) days after it has received written notice from the LANDLORD specifying the defaults the TENANT has failed to cure within the grace period specified in the Lease. Upon receipt of such notice from FRANCHISOR, the LANDLORD shall promptly execute and deliver to FRANCHISOR (or its designee) an assignment of the Lease or a new lease, whichever FRANCHISOR requests, and shall deliver to FRANCHISOR (or its designee) possession of the Leased Premises, free and clear of any rights of the TENANT or any other third party. FRANCHISOR (or its designee), before taking possession of the Leased Premises, shall promptly cure the defaults specified by the LANDLORD in its notice to FRANCHISOR and shall execute and deliver to the LANDLORD its acceptance of the assignment of the Lease or of the new lease, as the case may be.

In the event that the FRANCHISOR elects to enter into (or to designate a third party to enter into) a new lease with the LANDLORD, then LANDLORD shall do so upon terms and conditions no less favorable than those contained in the Lease.

3. Termination of the Franchise Agreement. If the Franchise Agreement between FRANCHISOR and the TENANT is terminated for any reason or if it expires and is not renewed during the term of the Lease or any extension thereof, the TENANT, upon the written request of FRANCHISOR, shall assign to FRANCHISOR (or its designee) all of its right, title and interest in and to the Lease. If FRANCHISOR elects to accept (or to have its designee accept) the assignment of the Lease from the TENANT, FRANCHISOR or the designee shall give the TENANT and the LANDLORD written notice of its election to acquire the leasehold interest. The LANDLORD hereby consents to the assignment of the Lease from the TENANT to FRANCHISOR or its designee, subject to the TENANT's and/or FRANCHISOR's or its designee's curing any defaults of the TENANT under the Lease before FRANCHISOR or its designee takes possession of the Leased Premises. Alternatively, in the event of a termination or expiration and nonrenewal of the Franchise Agreement, FRANCHISOR may elect to enter (or to have its designee enter) into a new lease with the LANDLORD containing terms and conditions no less favorable than the Lease. Upon the LANDLORD's receipt of written notice from FRANCHISOR advising the LANDLORD that FRANCHISOR elects to enter (or to have its designee enter) into a new lease, the LANDLORD shall execute and deliver such new lease to FRANCHISOR or its designee for its acceptance. The LANDLORD and the TENANT shall deliver possession of the Leased Premises to FRANCHISOR or its designee, free and clear of all rights of the TENANT or third parties, subject to FRANCHISOR's curing (or its designee's curing) any defaults of the TENANT, under the Lease, and executing an acceptance of the assignment of Lease or the new lease, as the case may be.

The FRANCHISOR shall indemnify, defend and hold the LANDLORD harmless from any attempt to terminate the Lease or dispossess the TENANT from the Leased Premises based upon a termination, or expiration and nonrenewal of the Franchise Agreement.

4. Tenant's Agreement to Vacate Leased Premises. The TENANT agrees to peaceably and promptly vacate the Leased Premises and to remove its personal property therefrom upon the termination, or expiration and nonrenewal of the Franchise Agreement or upon the TENANT's failure to timely cure all of its defaults under the Lease, provided however, that TENANT may not remove any personal property from the Leased Premises which is subject to FRANCHISOR's security interest without FRANCHISOR's express approval and provided further, that TENANT's right to remove any personal property from the Leased Premises is also subject to and limited by FRANCHISOR's right to acquire (or have its designee acquire) FRANCHISEE's assets upon termination, expiration or nonrenewal of the Franchise Agreement. Any property for which TENANT has obtained FRANCHISOR's approval to remove and which is not removed or otherwise disposed of by the TENANT shall be deemed abandoned.

5. Delivery of Possession. If it becomes necessary for the LANDLORD to pursue legal action to evict the TENANT in order to deliver possession of the Leased Premises to the FRANCHISOR or its designee, the FRANCHISOR or its designee shall, at the written request of the

LANDLORD, pay into an interest-bearing escrow account all amounts necessary to cure any default of the TENANT's, pending delivery of the Leased Premises to the FRANCHISOR or its designee. If the LANDLORD may not legally obtain possession of the Leased Premises or if the LANDLORD is unable to deliver the Leased Premises to the FRANCHISOR or its designee within six (6) months from the date the FRANCHISOR notifies the LANDLORD of its election to continue (or to have its designee continue) the use of the Leased Premises, then the FRANCHISOR or the designee shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the LANDLORD for the Leased Premises, whereupon all amounts deposited by the FRANCHISOR or its designee in escrow, together with interest earned thereon, shall be returned forthwith to the FRANCHISOR or the designee, and the LANDLORD shall release the FRANCHISOR or designee from all of its obligations under the Lease or under any new lease.

6. Amendment of Lease. The LANDLORD and the TENANT agree not to amend the Lease in any respect, except with the prior written consent of the FRANCHISOR.

7. Franchisor Not a Guarantor. The LANDLORD acknowledges and agrees that notwithstanding any terms or conditions contained in this Addendum or any other agreement, the FRANCHISOR shall in no way be construed as a guarantor or surety of the TENANT's obligations under the Lease. However, in the event the FRANCHISOR becomes the tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with LANDLORD, then the FRANCHISOR shall be liable for all of the obligations of the TENANT on its part to be performed or observed under the Lease or a new lease.

8. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Addendum and the Lease, the terms of this Addendum shall prevail.

9. No Hazardous Materials. The LANDLORD warrants and represents that no part of the Franchised Business location, including the walls, ceilings, structural steel, flooring, pipes or boilers is wrapped, insulated, fire-proofed or surfaced with any asbestos-containing materials (hereinafter "ACM") or other hazardous materials as the same may be identified from time to time by applicable federal, state or local laws or regulations ("Hazardous Materials"), and that no ACM materials or Hazardous Materials will be present in the Leased Premises as of the date TENANT takes possession thereof.

10. Assignment and Subletting. Notwithstanding anything in the Lease to the contrary, the TENANT shall have the right to assign this Lease or any interest therein, or sublet the Leased Premises or any portion thereof without the consent of LANDLORD:

- (a) to any bona fide franchisee of the FRANCHISOR; or
- (b) to the FRANCHISOR or any successor or affiliate thereof.

11. Subordination. The LANDLORD will subordinate its interest in the TENANT's equipment to any lender financing the same, and the LANDLORD will further cooperate in executing all required documents to recognize such subordination.

12. Waiver. Failure of FRANCHISOR to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its right hereunder.

13. Amendment of Agreement. This Agreement may be amended only in writing signed by all parties hereto.

14. Notices. All notices hereunder shall be by certified mail to the addresses indicated above or to such other addresses as the parties hereto may, by written notice, designate.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives. This Agreement shall survive any amendment to, or renewal of the term of, this Lease even if such renewal is effectuated by LANDLORD and TENANT's execution of a new lease agreement with different terms and conditions, but with respect to the same Leased Premises.

16. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.

17. Remedies. The rights and remedies created herein shall be deemed cumulative and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which FRANCHISOR may have under this or any other agreement to which FRANCHISOR and the TENANT are parties.

18. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.

19. Construction. This Agreement shall be governed by and construed in accordance with the laws of the State in which the Leased Premises are located.

20. Certain Acknowledgments. The LANDLORD and the TENANT acknowledge and agree that all interior and exterior signage and related items (collectively the "Leased/Licensed Assets") are the sole property of the FRANCHISOR. The TENANT shall have no right to pledge in any manner the Leased/Licensed Assets and the LANDLORD shall have no rights to place any liens on or make any other claims to the Leased/Licensed Assets.

**IN WITNESS WHEREOF**, the parties hereto have caused this Mandatory Addendum to Lease to be executed the day and year first above written.

WITNESS:

\_\_\_\_\_

\_\_\_\_\_  
Landlord

\_\_\_\_\_

\_\_\_\_\_  
Tenant

ATTEST:

\_\_\_\_\_

**Moran Industries, Inc.**  
**d/b/a Moran Family of Brands®**

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

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



## EXHIBIT M

### PROMISSORY NOTE

Amount: \$ \_\_\_\_\_

Midlothian, Illinois

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

For value received, \_\_\_\_\_ ("Maker") promises to pay to the order of \_\_\_\_\_ ("Holder"), the sum of \_\_\_\_\_ DOLLARS with interest at \_\_\_\_ percent (\_\_\_\_%). Principal and interest shall be payable in lawful money of the United States at \_\_\_\_\_, or at such other place as the Holder may designate in writing.

Payments shall be made over a \_\_\_\_ month period beginning on \_\_\_\_\_, payable together with interest at \_\_\_\_ percent (\_\_\_\_%), payable in monthly installments of \$ \_\_\_\_\_.

This Note is secured by the inventory, equipment, tools, parts and fixtures of the Franchise Service Center located at \_\_\_\_\_, and by any such items purchased or acquired hereafter for said premises, and the accounts receivable on account of business conducted by Maker at said location, cash on hand and in banks, and all other general intangibles thereof (collectively, the "Collateral"), to secure payment of the debt evidenced by this Note, including any renewals and/or extensions.

Maker will purchase and maintain term life insurance in the amount of this note and Moran Industries, Inc. will be named as the beneficiary. This term life insurance will be maintained during the entire life of the note.

In the event this Note is collected by or through an attorney, the Maker agrees to pay all costs of collection, including reasonable attorneys' fees.

If any installment is not fully paid within ten (10) days after it is due, the entire principal sum and accrued interest then remaining unpaid thereon shall immediately become due and payable without notice at the option of the Holder. At Holder's option, Holder may assess and collect, in addition to any payment due, a late fee of ten percent (10%) of the payment due. Failure to exercise this option shall not constitute a waiver of the right of the Holder to exercise the same in the event of any subsequent default. Maker expressly waives notice of default, presentment and dishonor.

Maker agrees not to mortgage, pledge or otherwise encumber the collateral, and to keep it within the premises, except when sold in the ordinary course of business, free from all claims, taxes and other encumbrances and to pay all costs and expenses incurred by Holder in protecting its security interest in the collateral.

Maker further agrees that if this Note is not paid in full on or before the due date, Maker will immediately surrender possession of the collateral and all ownership interest therein to Holder on demand without further notice, and execute all documents necessary to effect such change in ownership. Should Maker fail to execute and deliver any such documents to Holder, Maker hereby irrevocably appoints any officer of Holder as Maker's attorney-in-fact to execute such documents on its behalf and in its stead, and hereby waives any and all rights, however created, to contest the validity of such execution.

Any dispute arising out of this Note shall be submitted to the United States District Court for the Northern District of Illinois or any court of record of Cook County, Illinois. The undersigned hereby authorizes any attorney at law appointed by Holder to appear in any Court of record in the State of Illinois, on default in the payment of any installment due on the above obligation, and waive the issuance and service of process, and confess a judgment against the undersigned in favor of the Holder hereof for the amount of the Note, together with the costs of suit and reasonable attorney's fees, and to release all errors and waive all right of appeal.

Presentment for payment, demand notice and protest, are expressly waived.

Privilege is reserved to pre-pay the entire sum, or any portion thereof, at any time, without premium or fee.

IN WITNESS WHEREOF, Maker has caused this Note to be executed by it on its behalf.

MAKER:

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

**PERSONAL GUARANTEE**

On this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, in consideration of the benefits the undersigned derives from CORPORATE NAME, executing this Promissory Note with [HOLDER] and for TEN AND 00/100 (\$10.00) DOLLARS in hand paid and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned guarantor hereby guarantees the payment of all sums due under this Promissory Note and the performance by CORPORATE NAME or its successors and assigns of all terms, covenants and conditions of this Promissory Note. Guarantor will be directly and primarily liable, jointly and severally with CORPORATE NAME for all payments and performance by CORPORATE NAME, or its successors and assigns of all terms, covenants and conditions of this Promissory Note.

PERSONALLY GUARANTEED BY:

\_\_\_\_\_  
NAME

**SECURITY AGREEMENT**  
(Chattel Mortgage)

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

\_\_\_\_\_, (NAME) \_\_\_\_\_, \_\_\_\_\_ (ADDRESS) \_\_\_\_\_, (hereinafter called "Debtor"), for valuable consideration, receipt whereof is hereby acknowledged, hereby grants to MORAN INDUSTRIES, INC. D/B/A MORAN FAMILY OF BRANDS®, (hereinafter called "Secured Party") a security interest in, and mortgages to Secured Party, the following property and any and all additions and accessions, proceeds and after acquired property of a like description thereto (hereinafter called the "Collateral"):

"All machinery, tools and equipment, furniture and fixtures, inventory and all present and future accounts receivable, proceeds arising therefrom, chattel paper, cash on hand, contract rights and general intangibles, however evidenced or acquired, now owned, purchased with loan proceeds or hereafter acquired, and all additions and accessions thereto."

To secure payment of all notes or obligations of even date and any and all debts now or hereinafter owed Secured Party by Debtor.

**Debtor hereby warrants and covenants that:**

- (a) The Collateral is bought or used primarily for business use;
- (b) The Collateral will be kept at the premises of the Franchised Service Center located at; \_\_\_\_\_; Debtor will promptly notify Secured Party of any change in the location of the Collateral; and Debtor will not remove the Collateral from said premises without the written consent of the Secured Party;
- (c) If the Collateral is to be attached to real estate, a description of the real estate is as follows: \_\_\_\_\_; and the Collateral is attached to real estate prior to the perfection of the security interest granted hereby, Debtor will on demand of Secured Party furnish the latter with the disclaimer or disclaimers, signed by all persons having an interest in the real estate, or of any interest in the Collateral which is prior to Secured Party's interest.

**Further Warranties and Covenants of Debtor.** Debtor hereby warrants and covenants that:

- (d) Except for the security interest granted hereby Debtor is the owner of the Collateral free from any adverse lien, security interest or encumbrance; and Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein;
- (e) No Financing Statement covering any Collateral or any proceeds thereof is on file in any public office and at the request of Secured Party, Debtor will join with Secured Party in executing one or more Financing Statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and will pay the cost of filing the same or filing or recording this agreement in all public offices whenever filing or recording is deemed by Secured Party to be necessary or desirable;
- (f) Debtor will not sell or offer to sell or otherwise transfer the Collateral or any interest therein without the written consent of Secured Party;
- (g) Debtor will have and maintain insurance at all times with respect to all Collateral against risks of fire (including so-called extended coverage), theft and such other risks as Secured Party may require, and in the case of motor vehicles, collision insurance, containing such terms, in such form, for such periods and written by such companies as may be satisfactory to Secured Party, such insurance to be payable to Secured Party and Debtor as their interests may appear; all policies of insurance shall provide

for ten days' written minimum cancellation notice to Secured Party; Debtor shall furnish Secured Party with certificates or other evidence satisfactory to Secured Party of compliance with the insurance provisions listed above; and Secured Party may act as attorney for Debtor in obtaining, adjusting, settling and canceling such insurance and endorsing any drafts;

(h) Debtor will keep the Collateral in good order and repair and will not waste or destroy the Collateral or any part thereof; Debtor will not use the Collateral in violation of any statute or ordinance; and Secured Party may examine and inspect the Collateral at any time, wherever located;

**Additional Rights of Parties.** At its option, Secured Party 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 and may pay for the maintenance and preservation of the Collateral. Debtor agrees to reimburse Secured Party on demand for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization. Until default Debtor may have possession of the Collateral and use it in any lawful manner not inconsistent with this agreement and not inconsistent with any policy of insurance thereon.

**Events of Default.** Debtor shall be in default under this agreement upon the happening of any of the following events or conditions:

(a) Default in the payment or performance of any obligation, covenant or liability contained or referred to herein or in any note evidencing the same;

(b) Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor proves to have been false in any material respect when made or furnished;

(c) Loss, theft, substantial damage, destruction, sale or encumbrance to or of any of the Collateral, or the making of any levy, seizure or attachment thereof or thereon;

(d) Death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against, Debtor or any guarantor or surety for Debtor;

(e) Any unauthorized sale, merger or transfer of interest in Debtor's business, including the sale of stock if a corporation; or

(f) Any unauthorized sale or transfer of interest in the Collateral or any unauthorized removal of Collateral from the premises of the Franchised Service Center.

**Remedies.** Upon such default and at any time thereafter Secured Party may declare all Obligations secured hereby immediately due and payable and shall have the remedies of a secured party including, but not limited to, those under the Uniform Commercial Code. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party will give Debtor reasonable notice of the time and place of any public sale thereof or of the time after which any private sale or any other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Debtor shown at the beginning of this agreement at least five days before the time of the sale or disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include Secured Party's reasonable attorney's fees and legal expenses.

**General.** No waiver by Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all Obligations of Debtor shall bind his heirs, executors or administrators or his or its successors or assigns. If there be more than one Debtor, their Obligations hereunder shall be joint and several. This agreement shall become effective when it is signed by Debtor, and to the extent that applicable law confers any rights or imposes any duties inconsistent with or in addition to any of the provisions of this agreement, the affected provisions shall be considered amended to conform thereto, but all other provisions hereof shall remain in full force and effect.

If and to the extent that applicable law confers any rights or imposes any duties inconsistent with or in addition to any of the provisions of this agreement, the affected provisions shall be considered amended to conform thereto, but all other provisions hereof shall remain in full force and effect.

Signed under seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

DEBTOR:

\_\_\_\_\_  
NAME

**EXHIBIT N**

**TELEPHONE SERVICE ASSIGNMENT – INCLUDING ANY DIRECTORY ADVERTISING**

\_\_\_\_\_  
(FRANCHISEE)

Pursuant to Franchise Agreement Section 27, this information is provided in furtherance of Franchisee's obligations with respect to the transfer of telephone service to Franchisor upon expiration, termination or nonrenewal of said Franchise Agreement.

Provide the following information:

Name of Telephone Company (Carrier): \_\_\_\_\_

Name of Account Holder: \_\_\_\_\_

Account Number: \_\_\_\_\_

Telephone Number(s): \_\_\_\_\_

I understand that this does not release me from payment for charges incurred prior to the effective date of this agreement.

I agree to pay the telephone carrier listed above for any charges left unpaid for telephone service already furnished and to pay any company acting on their behalf, any charges left unpaid for the directory advertising already contracted for. I agree to release any said telephone number(s) upon expiration, termination or nonrenewal of the Franchise Agreement and to indemnify and save harmless said telephone company against any claim or suit because of the assignment of such telephone number(s).

\_\_\_\_\_  
FRANCHISEE

\_\_\_\_\_  
Date

## **EXHIBIT O**

### **MR. TRANSMISSION® / MULTISTATE TRANSMISSIONS® AREA DEVELOPER AGREEMENT**

**THIS AREA DEVELOPER AGREEMENT** (the "Agreement") is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ between Moran Industries, Inc., an Illinois corporation d/b/a Moran Family of Brands®, with an address of 4444 West 147th Street, Midlothian, Illinois 60445 ("FRANCHISOR") and \_\_\_\_\_, an individual with an address of \_\_\_\_\_ ("AREA DEVELOPER").

#### **BACKGROUND**

A. Contemporaneous with the execution of this Agreement, AREA DEVELOPER and FRANCHISOR have entered into a single unit Franchise Agreement (the "Franchise Agreement") for the right to establish and operate a single Mr. Transmission or Multistate Transmissions center and AREA DEVELOPER has paid the initial franchise fee;

B. Through the expenditure of money, time and effort, FRANCHISOR has developed a distinct and proprietary method business format for the operation of automotive transmission service centers (the "System"), the distinguishing characteristics of which include proprietary operating procedures and standards and specifications for products and services, as amended from time to time in FRANCHISOR's sole discretion;

C. The System is identified by proprietary trademarks, service marks, trade dress, logos and other indicia of origin including, without limitation, the trade names and service marks "Mr. Transmission" and/or "Multistate Transmissions" (the "Proprietary Marks");

D. FRANCHISOR offers franchises to qualified individuals for the right to use the System and Proprietary Marks at a single approved location (the "Center");

E. FRANCHISOR continues to develop, expand, use, control and add to the Proprietary Marks and System for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of products and services marketed thereunder and to represent the System's high standards of quality and service;

F. AREA DEVELOPER desires to obtain the exclusive right to serve as an independent contractor of FRANCHISOR and to coordinate the development of the territory ("Territory") granted under this Agreement, including recruiting franchisees to operate Centers under FRANCHISOR's System and Proprietary Marks, as well as to provide continuing operational and supervisory assistance and otherwise administer the System within the Territory as specified in this Agreement; and

G. AREA DEVELOPER understands and acknowledges the importance of FRANCHISOR's uniformly high standards of quality and service and the necessity of insuring that franchisees operate their Centers in strict conformity with FRANCHISOR's quality control standards and specifications.

## **AGREEMENT**

NOW, THEREFORE, in consideration of the promises, undertakings and commitments of each party to the other party described in this Agreement, the parties mutually agree as follows:

### **1. GRANT**

A. FRANCHISOR hereby grants to the AREA DEVELOPER for a term of five (5) years ("Term") the exclusive right and license to serve as an independent representative of FRANCHISOR in order to recruit prospective franchisees in the Territory and provide certain services to franchisees (as provided below) to the Territory in strict accordance with the System and under the Proprietary Marks. Each Center shall operate according to the terms of an individual Single Unit Franchise Agreement ("Franchise Agreement"), a copy of which is attached hereto as Exhibit A, which may be modified from time to time by FRANCHISOR.

B. FRANCHISOR hereby grants to the AREA DEVELOPER the exclusive right and license to serve as an independent contractor of FRANCHISOR, to solicit for prospective franchisees and to provide certain services to franchisees, as provided below within the following designated territory:

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C. AREA DEVELOPER has the right to renew this Agreement for consecutive additional five (5)-year terms, if AREA DEVELOPER meets the following conditions:

1. AREA DEVELOPER is in compliance with all the terms and conditions of this Agreement at the time of renewal and had substantially complied with the terms of this Agreement and with the operating standards and criteria established by FRANCHISOR throughout the initial term and any renewal term of this Agreement;

2. AREA DEVELOPER has satisfied all monetary obligations owed to FRANCHISOR and its affiliates;

3. AREA DEVELOPER is in compliance with all other agreements between AREA DEVELOPER and FRANCHISOR and/or its affiliates;

4. AREA DEVELOPER has provided FRANCHISOR with written notice of AREA DEVELOPER's intention to renew the Area Developer Agreement at least ninety (90) days but not more than one hundred eighty (180) days prior to expiration of the then current term;

5. AREA DEVELOPER executes FRANCHISOR's then-current form of Area Developer Agreement, which may vary materially from the terms of this Agreement, and when executed, will supersede this Agreement in all respects; and

6. AREA DEVELOPER executes a general release in the form prescribed by FRANCHISOR, in favor of FRANCHISOR and its affiliates and their respective officers, directors, agents, and employees, for all claims arising out of or related to this Agreement or any related agreements with FRANCHISOR or its affiliates.

### **2. AREA DEVELOPER FEES**

A. In consideration of the rights granted under this Agreement, AREA DEVELOPER has paid to FRANCHISOR a fee ("Area Developer Fee"), in the amount of Ten Thousand Dollars (\$10,000.00) for each Center to be developed pursuant to his Agreement. The Area Developer Fee is in addition to the initial franchise fee due under the Franchise Agreement. Upon the AREA DEVELOPER being granted



the Territory, FRANCHISOR's obligations are concluded and the Area Developer Fee is deemed fully earned upon payment and nonrefundable.

B. This Agreement is not a Franchise Agreement for the license to operate Centers under the System, and AREA DEVELOPER shall have no right to use FRANCHISOR's System and Proprietary Marks in any manner by virtue of this Agreement, other than as necessary to recruit individual franchisees and to manage and supervise said franchisees within the Territory.

C. Notwithstanding Subsection 2(B) above, the AREA DEVELOPER may own and operate individual Centers under the System within the Territory upon the execution of the then current Franchise Agreement, and payment of the franchisee fee thereunder, for each Center to be opened within the Territory. AREA DEVELOPER shall be subject to the same procedures for site approval and subject to the same standards of quality control for each Center as other individual franchisees within the Territory.

### **3. MANDATORY DEVELOPMENT SCHEDULE**

A. Immediately following the execution of this Agreement, AREA DEVELOPER must immediately commence procedures to open the Center under the Franchise Agreement.

B. In addition, immediately following the execution of this Agreement, AREA DEVELOPER will commence a franchise sales, marketing and development program for the Territory, and will cause to be sold the following cumulative number of Centers within the Territory:

<u>Time Period</u>	<u>Number of Units to be Sold During Period</u>	<u>Cumulative Number of Units to be Sold at end of the Period</u>
Sold within 1 year of date of Agreement	-	-
Sold during the next year	-	-
Sold during the next year	-	-
Sold during the next year	-	-

C. The sale of any Centers in excess of the minimum number required in any time period shall be credited to the subsequent time period. If AREA DEVELOPER fails to meet the Mandatory Development Schedule, the AREA DEVELOPER shall have a nine (9)-month period to cure the default in the Mandatory Development Schedule.

D. FRANCHISOR and AREA DEVELOPER hereby acknowledge and agree that the Mandatory Development Schedule contained herein is a fair and reasonable time frame for the development of Centers within the Territory and is an accurate reflection of market demand without over saturation of FRANCHISOR's proprietary services offered under the System.

#### **4. DUTIES OF FRANCHISOR**

FRANCHISOR will furnish the following services, information and personnel to the AREA DEVELOPER:

A. FRANCHISOR will provide a special training program for the AREA DEVELOPER or his appointed representatives that covers franchise sales, real estate, and the training programs franchisees receive. AREA DEVELOPER must complete these training sessions to FRANCHISOR's satisfaction prior to beginning operations.

B. FRANCHISOR will furnish to the AREA DEVELOPER copy for materials, layouts, business cards, stationery, and other promotional items to attract new franchisees and promote the business and goodwill of the System. AREA DEVELOPER shall be responsible for the costs of purchasing such items.

C. Upon receipt from AREA DEVELOPER of a franchise prospect's contact information, FRANCHISOR shall furnish to such prospect a copy of its franchise disclosure document. AREA DEVELOPER shall be responsible to ensure that the prospect signs and returns the required receipt pages.

D. FRANCHISOR will loan to the AREA DEVELOPER three (3) copies of its confidential operating manual, as amended from time to time, which shall include standards and specifications for equipment, inventory and supplies; and

E. Upon request by the AREA DEVELOPER, FRANCHISOR will review AREA DEVELOPER's operation and techniques in the areas of franchise sales and support services, and may suggest methods of improvement.

F. FRANCHISOR will prepare and keep current the necessary franchise disclosure document relative to the offer and sale of franchises in the Territory. FRANCHISOR shall also take the necessary steps to file or register FRANCHISOR's franchise disclosure document if the Territory is located in a state which requires such filing or registration. AREA DEVELOPER shall be responsible for completing and keeping current the Franchise Seller Disclosure Form in connection with such registration and for updating any disclosure information as required by applicable law or requested by FRANCHISOR from time to time.

#### **5. DUTIES OF THE AREA DEVELOPER**

In addition to the obligation of the AREA DEVELOPER to meet the Mandatory Development Schedule described in Section 3 above, the AREA DEVELOPER covenants and agrees to perform the following in a diligent and timely manner:

A. AREA DEVELOPER shall submit to FRANCHISOR for prior approval all sales, promotional, and advertising and other materials, which relate to recruiting new franchisee or for proposed use by a franchisee to attract customers. FRANCHISOR will notify AREA DEVELOPER of its approval of the proposed materials and programs within ten (10) days after receipt thereof. If FRANCHISOR does not approve such materials and programs within such period, such materials and programs shall be deemed disapproved and AREA DEVELOPER shall not use such materials or programs in any manner. FRANCHISOR shall use reasonable efforts to respond within said ten (10)-day period and shall not unreasonably withhold or delay approval.

B. FRANCHISOR will have the sole right to formulate and make policy decisions concerning every aspect of sales, promotions, advertising and other programs. AREA DEVELOPER shall have no right to negotiate terms of the franchise agreement with prospective franchisees. AREA DEVELOPER will make no financial performance representation, promises, representations or commitments to any prospective franchisee other than as stated in the then current Franchise Agreement, and will only make offers and

presentations pertaining directly or indirectly to franchise sales in strict compliance with the laws of the United States, and any other applicable laws and regulations.

C. In recruiting prospective franchisees, AREA DEVELOPER shall make every effort to locate persons of good standing, professional competence, experience, reputation, ability and financial responsibility. AREA DEVELOPER must submit to FRANCHISOR written and completed applications of all qualified prospective franchisees together with such additional information and comments, including credit and background information, as specified by FRANCHISOR. FRANCHISOR's determination, for which it will have complete discretion, will be conclusive, final and binding. FRANCHISOR will not unreasonably withhold or delay its acceptance of a prospective franchisee or its manager.

D. Within thirty (30) days of FRANCHISOR's notification of approval of a prospective franchisee, FRANCHISOR and franchisee shall execute a Franchise Agreement. If such Agreement is not executed within thirty (30) days, or such longer period as FRANCHISOR may permit, or if any condition of approval specified by FRANCHISOR is not satisfied, FRANCHISOR may withdraw, suspend or condition its approval of Franchisee. A franchisee shall have one hundred eighty (180) days to submit a site within the Territory to AREA DEVELOPER and FRANCHISOR. If the site is approved by FRANCHISOR, FRANCHISOR shall state its approval in writing. AREA DEVELOPER shall ensure that all formal site proposal packages submitted by a franchisee have been prepared and assembled in accordance with FRANCHISOR's requirements and on prescribed forms and include any property descriptions, lease forms, traffic pattern reports, market feasibility studies and other specifications as FRANCHISOR may reasonable require. FRANCHISOR will have ten (10) business days after receipt of such information and materials from the AREA DEVELOPER to approve or disapprove, in its sole discretion, a proposed site for a Center.

E. AREA DEVELOPER must provide new franchisees within the Territory five (5) days of on-site training during the first week the new Center is opened. AREA DEVELOPER must also perform a three (3)-day on-site follow-up training session within the third month of a new Center's operation.

F. FRANCHISOR has created and developed special procedures, standards and methods for operating and maintaining Centers, which standards are incorporated in FRANCHISOR's confidential operating manual. AREA DEVELOPER shall ensure that each Center within the Territory is developed and operated solely in accordance with FRANCHISOR's requirements and specifications described in the confidential operating manual, including through inspections and secret shoppers as required by FRANCHISOR's policies and procedures, which may be changed from time to time.

G. AREA DEVELOPER will cause all sales efforts made by it or under its direction to be courteous and dignified, and in a professional, ethical and responsible manner. AREA DEVELOPER must not violate any United States federal, state or local law in connection with the offer or sale of franchises, and AREA DEVELOPER must specifically abide by all valid and enforceable laws, rules and regulations by appropriate regulatory bodies regarding franchising. In addition, if AREA DEVELOPER recruits a prospective franchisee to purchase or receive an assignment of the franchise license and business assets of an existing Center which AREA DEVELOPER owns and operates pursuant to a Franchise Agreement, AREA DEVELOPER shall not make any false warranties or misrepresentations as to the assets, liabilities, reputation, operating results, financial performance or financial condition of such Center. Furthermore, in connection with this Section 5.G. FRANCHISOR may issue and require AREA DEVELOPER to abide by a separately executed AREA DEVELOPER Code of Ethics for the sale of existing, currently operating Centers. Nothing in this Section 5.G. shall in any way make FRANCHISOR responsible or liable for any warranty or representation made by AREA DEVELOPER in its sale or transfer of an existing, currently operating Center.

H. AREA DEVELOPER, or his duly authorized representative, must provide supervision to all Centers within the Territory. Such supervision shall include, but not be limited to, on-site supervision during the period of time prior to the opening of the Center; general assistance, advice and consultation to franchisees with regard to entering into negotiations and agreements within the Territory for franchisees services; review of proposed leases and contracts; consultation and assistance with regard to grand opening

of the Center; providing supplemental training and assistance of all material aspects of the operation of a Center, as needed, in accordance with FRANCHISOR's requirements; periodic and regular telephone calls or visits to monitor operations of the Centers, continuous advisory services to franchisees, ongoing training and updates for all Centers within the Territory. AREA DEVELOPER agrees to perform such duties pursuant to FRANCHISOR's requirements herein described and in accordance with the System, the confidential operating manual or otherwise in writing, all of which may be changed from time to time by FRANCHISOR. In addition, AREA DEVELOPER shall provide to FRANCHISOR such information as it may require on a monthly basis or as FRANCHISOR requires from time to time, on the form required by FRANCHISOR, as to AREA DEVELOPER's activities and the Centers within the Territory.

I. AREA DEVELOPER must advise individual Centers within the Territory of problems arising out of the operation of that Center as disclosed by periodic reports submitted to AREA DEVELOPER or FRANCHISOR by the franchisee, or by inspections conducted by AREA DEVELOPER or FRANCHISOR of the Centers within the Territory. AREA DEVELOPER must provide each Center within the Territory with such assistance in connection with the operation of such Center as is reasonably determined to be necessary by FRANCHISOR. Operational assistance may consist of advice and guidance with respect to:

1. Proper utilization of procedures developed for a Center with respect to operations and management, recruitment of personnel, advertising and promotion, compliance with regulations and related activities as approved by FRANCHISOR;
2. Additional services authorized for Centers within the Territory;
3. Purchase of equipment, products, inventory, materials and supplies;
4. The institution of proper administrative bookkeeping, accounting, inventory control, supervisory and general operating procedures for the effective operation of a Center;
5. Advertising and promotional programs;
6. Marketing and negotiating technique to be employed when dealing with prospective customers, clients and vendors; and
7. Maintenance of the Center's premises.

J. AREA DEVELOPER must make contact with all Centers within the Territory for the purposes of consultation, assistance and guidance of franchisees and managers of each Center, and AREA DEVELOPER or its representatives will prepare, for benefit of both AREA DEVELOPER and FRANCHISOR, written reports regarding these regular contacts outlining any suggested changes or improvement in the operations of the Center and detailing any defaults in such operations which become evident as a result of any such contact, and a copy of each such written report must be provided to both the franchisee or its manager and FRANCHISOR.

K. In the event AREA DEVELOPER desires to participate in a franchise trade show, AREA DEVELOPER must obtain FRANCHISOR's written approval to participate in advance. AREA DEVELOPER will be responsible for all expense associated with its participation in the trade show including, but not limited to, staffing the booth at the trade show.

L. AREA DEVELOPER will ensure that all signs, equipment, fixtures, supplies, design, layout and maintenance of each Center conforms to the plans and specifications described in the confidential Operating manual. AREA DEVELOPER will take all necessary steps to enforce the terms of each individual Franchise Agreement executed for a Center within its Territory and the provisions of the confidential Operating manual, as amended.

M. AREA DEVELOPER must keep accurate records concerning all transactions and communications between FRANCHISOR, AREA DEVELOPER and franchisees relating to the operation of any Center in the Territory, and FRANCHISOR's duly authorized representative shall have the right at all reasonable hours to examine all such records, and shall have full and free access thereto for said purpose and for the purpose of making extracts therefrom. All such records shall be available for at least three (3) years after the termination, expiration or nonrenewal of this Agreement for any reason whatsoever.

N. Not less than once every twelve (12) months, AREA DEVELOPER will arrange for and conduct regional seminars within the Territory for all Centers within the Territory. Such seminars shall include training and general advisory assistance for the Centers within the Territory and AREA DEVELOPER shall notify FRANCHISOR in writing at least four (4) weeks prior to conducting such regional seminars. FRANCHISOR will provide at least one person as an instructor at each regional seminar. The cost of travel, meals, lodging and related expenses incurred by FRANCHISOR's representative to provide instruction at such regional seminars will be the responsibility of FRANCHISOR.

O. AREA DEVELOPER, or his appointed representative, must attend any Area Developer seminars or training sessions held by FRANCHISOR. AREA DEVELOPER shall be responsible for travel, meals, lodging and related expenses to attend such seminars or training sessions.

P. Not less than once every three (3) months, AREA DEVELOPER must conduct management and financial reviews with each Center. As a part of these reviews an evaluation form, which form will be mutually approved by FRANCHISOR and AREA DEVELOPER, will be included to determine if AREA DEVELOPER is satisfactorily performing its duties and obligations under the terms of this Agreement. AREA DEVELOPER will remit the management and financial review form, together with the AREA DEVELOPER evaluations to FRANCHISOR within ten (10) days after conducting such reviews.

Q. All sales of Centers by AREA DEVELOPER and any acts incident thereto shall be in strict accordance with the FTC compliant disclosure document prepared by FRANCHISOR relative to the sale of FRANCHISOR franchises. Franchise sales must be approved if prospective franchisees meet the minimum requirements of FRANCHISOR.

## **6. USE OF SYSTEM AND PROPRIETARY MARKS**

A. AREA DEVELOPER acknowledges that the trade names Mr. Transmission and Multistate Transmissions and all other Proprietary Marks licensed hereunder or subsequently developed are owned by FRANCHISOR, and that only FRANCHISOR, AREA DEVELOPER and FRANCHISOR's designated franchisees have the right to use such Proprietary Marks and such other trade names, trademarks, service marks and copyrights as may presently exist or be acquired and licensed for use by FRANCHISOR, along with ancillary signs, symbols or indicia used in connection or conjunction with said Proprietary Marks. AREA DEVELOPER further acknowledges that valuable goodwill is attached to such trade names, trademarks and service marks and that it will use such Proprietary Marks only in the manner and to the extent specifically licensed by this Agreement.

B. AREA DEVELOPER acknowledges, and will not contest, infringe or harm FRANCHISOR's exclusive ownership and rights to each and every aspect of the System. AREA DEVELOPER's right to market the System and establish and sell Centers is specifically limited to the Territory, and is subject to the supervision and control of FRANCHISOR as provided herein. AREA DEVELOPER's rights will terminate upon the expiration and nonrenewal, transfer or termination of the Agreement for any reason whatsoever.

C. AREA DEVELOPER acknowledges that the Proprietary Marks constitute a significant aspect of the System and AREA DEVELOPER agrees that such Proprietary Marks will not be used as the name, or part of any name, of any corporation, partnership or any entity under which AREA DEVELOPER or any franchisee within the Territory transacts any business. AREA DEVELOPER's use of the Proprietary Marks is subject to the control and approval of FRANCHISOR in every other respect.

D. AREA DEVELOPER acknowledges and agrees that the operating manual is proprietary and a confidential trade secret owned by FRANCHISOR, and will at all times treat these documents and materials as such. AREA DEVELOPER must take all reasonable steps to maintain such information as confidential, restrict and prohibit unauthorized access to the operating manual and prohibit any copying, duplication or recording of any information contained therein. FRANCHISOR may from time to time update and revise the contents of the operating manual and distribute supplements thereto, and AREA DEVELOPER expressly agrees to comply with each new or changed standard.

E. If a claim is asserted by a third-party of a prior use of the Proprietary Marks with respect to a similar business within the Territory, FRANCHISOR will defend such claims, and/or modify or cause to be modified, the Proprietary Marks in any manner as necessary. AREA DEVELOPER must give written notice to FRANCHISOR within five (5) days of acquiring such knowledge concerning use by others within the Territory of the same or confusingly similar marks or the Proprietary Marks.

## **7. REMUNERATION OF THE AREA DEVELOPER**

The AREA DEVELOPER will be entitled to its share of the initial franchise fee and ongoing royalties due under the individual Franchise Agreements for the Territory, provided that, AREA DEVELOPER fully and diligently performs its obligations throughout the term of this Agreement.

A. After full execution of each franchise agreement, receipt of the initial franchise fee in full and payment of any commissions to third-party brokers, FRANCHISOR shall remit forty percent (40%) of the net initial franchise fee collected upon the sale of the franchise and due to FRANCHISOR for each Center sold within the Territory.

B. All Centers within the Territory shall remit royalty and service payments due under the individual Franchise Agreement, based on the percentage of gross sales for each Center. In consideration of the ongoing supervisory and support services provided by the AREA DEVELOPER, FRANCHISOR shall pay two (2) percentage points of the seven percent (7%) royalty fees collected from developed franchises, less any collection expenses, by FRANCHISOR to AREA DEVELOPER.

C. AREA DEVELOPER expressly acknowledges and agrees that its rights to receive the amounts contemplated by this Section 7 are conditioned on AREA DEVELOPER's full, prompt and complete performance of its duties and obligations under the terms of this Agreement. The responsibility for collection of all payments due under the individual Franchise Agreements from franchisees will primarily rest with FRANCHISOR, however, the AREA DEVELOPER shall use its best efforts to ensure that all payments and reports are submitted to FRANCHISOR on a timely basis and shall undertake such efforts to assist FRANCHISOR as FRANCHISOR may reasonably request from time to time.

D. FRANCHISOR has the right to inspect the books, records and tax statements of the AREA DEVELOPER. Such inspection will be at FRANCHISOR's expense and a five(5)-business day written notice shall be given to the AREA DEVELOPER at its office prior to any inspection.

E. AREA DEVELOPER will not be entitled to any fees from franchise sales outside of the AREA DEVELOPER's Territory that are a result of AREA DEVELOPER's referral or introduction of a prospective franchise to FRANCHISOR. Likewise, AREA DEVELOPER will not share or otherwise be required to split fees or royalty payments from franchise sales in AREA DEVELOPER's Territory as a result of a referral or introduction from FRANCHISOR, another area developer or any other source but will be entitled to all fees to be paid by FRANCHISOR for franchise sales as indicated in Section 7(A) and 7(B) herein.

F. All fees, including but not limited to the franchise and royalty fees, actually collected, shall be paid into an escrow account and remitted on a quarterly basis, or any other payment period as mutually agreed upon, to FRANCHISOR and AREA DEVELOPER. Any costs of such an escrow arrangement shall

be shared equally by FRANCHISOR and AREA DEVELOPER. FRANCHISOR shall have the right to set off from the remittances any monies due it by AREA DEVELOPER or any entity in which AREA DEVELOPER, or its owner(s), has a majority ownership interest.

## **8. RELATIONSHIP OF THE PARTIES**

A. The appointment of AREA DEVELOPER pursuant to this Agreement does not make him an agent, partner, legal representative or employee of FRANCHISOR and the parties expressly agree that AREA DEVELOPER is an independent contractor. AREA DEVELOPER does not have the right to bind FRANCHISOR, to transact any business or make any promises or representations on behalf of FRANCHISOR, except as herein expressly provided. AREA DEVELOPER will at all times represent himself only as an independent contractor who has been appointed and licensed as an AREA DEVELOPER. Neither this Agreement nor the relationship between the parties hereto constitutes a partnership or a joint venture between AREA DEVELOPER and FRANCHISOR. It is understood, acknowledged and agreed by the parties hereto that they do not intend to create by this Area Developer Agreement any type of franchise relationship. The relationship that exists between the parties is one of contracting for the services of Area Developer as an independent representative for franchise sales and support and this Area Developer Agreement is strictly a method to develop a program to sell and coordinate services for Mr. Transmission Centers and is not a master franchise, subfranchise, area director agreement, or any other type of franchise relationship of any kind or nature. If any state regulatory agency deems AREA DEVELOPER to be a subfranchisee, FRANCHISOR shall assume responsibility for all necessary franchise registration filings in behalf of AREA DEVELOPER and shall assume all costs for such necessary filing with appropriate state agencies.

B. Subject to any provisions contained in this Agreement to the contrary, the relationship of FRANCHISOR and AREA DEVELOPER with respect to the ownership and operation by AREA DEVELOPER of Centers within the Territory, if applicable, will be governed by the individual Franchise Agreement(s) executed in connection therewith.

C. FRANCHISOR will not violate AREA DEVELOPER's status as an independent businessman and will provide only such supervision and training as is necessary and essential to protect the goodwill, reputation, trademarks, service marks, copyrights, trade secrets, confidential information and standards of quality of the System and as may be necessary to enable the AREA DEVELOPER to operate his own Centers, if applicable, and to support franchisees within its Territory.

## **9. INDEMNIFICATION**

A. The parties covenant and agree to indemnify and hold the other party harmless against and from any and all claims, demands, judgments, damages, suits, losses penalties, expenses, costs, settlements and liabilities of any kind or nature (including reasonable attorneys' fees) arising or resulting from any default in the observance, performance, or breach of any representation, warranty, covenant or agreement made by the indemnifying party required to be performed, observed or kept by that party, under this Agreement.

B. Each party will be responsible for all loss or damage originating from or in connection with the operation of its respective headquarters, and for all claims or demands for damages to property or for injury, illness or death of persons, directly or indirectly, resulting from said operation, and agrees to indemnify and hold harmless the other party against and from any such claims, loss or damage.

## **10. INSURANCE**

A. AREA DEVELOPER must maintain insurance that may be required by law in connection with its business as the AREA DEVELOPER, and must further maintain comprehensive general liability coverage. In the event that AREA DEVELOPER owns and operates any Center, AREA DEVELOPER must maintain all insurance required under the individual Franchise Agreements pertaining thereto.

B. In connection with all areas of liability coverage, AREA DEVELOPER must submit as proof of such insurance a fully paid insurance policy naming FRANCHISOR and any other parties designated by FRANCHISOR as additional insured parties, to FRANCHISOR for FRANCHISOR prior approval before commencing the business contemplated hereunder. Any proposed changes in the insurance policies must be submitted to FRANCHISOR for its prior approval. AREA DEVELOPER must furnish to FRANCHISOR a copy of the then prevailing insurance policies with assurances that the specified insurance is in full force and effect; that the insurance covers AREA DEVELOPER, FRANCHISOR and other designated parties as their respective interest may appear, and that said insurance policies will not be canceled or modified by the insurer without written notice to FRANCHISOR at least thirty (30) days prior to the proposed cancellation or modification including, but not limited to, products liability, property damage, personal injury, owned and non-owned automobile and contractual liability, with a combined single limit of at least One Million Dollars (\$1,000,000.00) or such larger amount as FRANCHISOR may reasonably require.

## **11. DEFAULT AND TERMINATION**

The rights, licenses and territorial exclusivity granted to the AREA DEVELOPER under this Agreement have been granted in reliance on AREA DEVELOPER's representations and assurances, among others, that the conditions and obligations contained in Sections 5 and 6 of this Area Developer Agreement will be met and performed in a timely manner.

A. Upon the happening of any of the following events, AREA DEVELOPER's rights, licenses and territorial exclusivity under this Agreement may be terminated by FRANCHISOR, at the sole discretion of FRANCHISOR, which termination shall be immediately effective upon AREA DEVELOPER's receipt of written notice of termination:

1. In the event the AREA DEVELOPER is adjudicated bankrupt, becomes insolvent, suffers a permanent or temporary court-appointed receivership of substantially all of AREA DEVELOPER's property, makes a general assignment for the benefit of creditors or suffers the filing of a voluntary or involuntary bankruptcy petition which is not dismissed within one (1) year after filing;

2. If the AREA DEVELOPER fails to comply with the Mandatory Development Schedule in Section 3 herein and the default is not cured within nine (9) months;

3. If the provisions contained in this Agreement for transfer by AREA DEVELOPER upon death, disability or incompetency are not strictly followed; and

4. If there is not substantial compliance with Section 5 herein and seventy five percent (75%) of the franchisees provide a written petition to FRANCHISOR that the AREA DEVELOPER is not substantially providing the franchise support as outlined in their individual Franchise Agreement of which the AREA DEVELOPER has direct control, FRANCHISOR will immediately give written notice of such substantial noncompliance. Upon receipt of said notice of non-compliance and franchisee petition the AREA DEVELOPER will have one hundred eighty (180) days or such time as is reasonable to cure such defaults.

B. The events of default and grounds for termination described in this Section 11 will be in addition to any other grounds for termination and remedies contained elsewhere in this Agreement or in any individual Franchise Agreement executed between FRANCHISOR and the AREA DEVELOPER.



C. Upon termination of this Agreement, the AREA DEVELOPER will not have further rights to receive any portion of any remuneration described in Section 7 above, and FRANCHISOR will have complete and exclusive rights to the franchise and royalty fees collected from each Center within the Territory.

D. No right or remedy herein conferred upon or reserved to FRANCHISOR is exclusive of any other right or remedy provided or permitted by law or equity.

## **12. TRANSFERABILITY**

A. FRANCHISOR has the right to assign this Agreement, and all of its rights and privileges hereunder, to any person, firm, corporation or other entity provided that, with respect to any assignment resulting in the subsequent performance by the assignee of the functions of FRANCHISOR: (i) the assignee shall, at the time of such assignment, be financially responsible and economically capable of performing the obligations of FRANCHISOR hereunder, and (ii) the assignee shall expressly assume and agree to perform such obligations.

Specifically, and without limitation to Section (A) above, AREA DEVELOPER expressly affirms and agrees that FRANCHISOR may sell its assets, its Proprietary Marks, or its System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buy out or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, AREA DEVELOPER expressly and specifically waives any claims, demands or damages arising from or related to the loss of said Proprietary Marks (or any variation thereof) and/or the loss of association with or identification of "Moran Industries, Inc. d/b/a Moran Family of Brands<sup>®</sup>" as Mr. Transmission or Multistate Transmissions hereunder.

Nothing contained in this Agreement requires FRANCHISOR to remain in the business or to offer the same products and services, whether or not bearing FRANCHISOR's Proprietary Marks, in the event that FRANCHISOR exercises its rights hereunder to assign its rights in this Agreement.

B. AREA DEVELOPER understands and acknowledges that the rights and duties contained in this Area Developer Agreement are personal to the AREA DEVELOPER and are granted in reliance upon the individual or collective character, skill, aptitude and business and financial capacity of AREA DEVELOPER or its principals. AREA DEVELOPER has represented to FRANCHISOR that AREA DEVELOPER is entering into this Area Developer Agreement with the intention of complying with its terms and conditions and not for the purpose of reselling or transferring its rights and obligations hereunder.

C. In the event that the AREA DEVELOPER desires to sell or transfer its interest, rights or license under this Agreement, it must submit to FRANCHISOR, in writing, the terms and conditions of any proposed sale or transfer, including the name or names of the person or entity desiring to purchase such interest, rights or license of the AREA DEVELOPER. FRANCHISOR will have thirty (30) days from the date of the receipt of any notice of a bona fide offer to sell, to purchase the interest of the AREA DEVELOPER for itself upon the same terms and conditions as the offer to sell to the bona fide offeree. The right of first refusal granted hereunder to FRANCHISOR may be exercised in connection with any offer to sell which may be made by the AREA DEVELOPER during the entire term of this Agreement and any renewal thereof. In the event that FRANCHISOR elects not to purchase the interest, rights and licenses granted to the AREA DEVELOPER, then the remaining provisions of this Section 12 shall apply.

D. Neither AREA DEVELOPER nor any partner or shareholder thereof may, without FRANCHISOR's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement without the prior written consent of FRANCHISOR.

E. FRANCHISOR will not unreasonably withhold or delay its consent to the transfer of any interest in the AREA DEVELOPER; provided, however, that prior to the time of the transfer, FRANCHISOR may, in its sole discretion require that:

1. The transferee demonstrate to FRANCHISOR's satisfaction that it meets FRANCHISOR's requirements that existed under the original Agreement and have the adequate financial resources and capital to manage the Territory; and the transferee must submit to FRANCHISOR an application in the form prescribed by FRANCHISOR;

2. At the transferee's expense and upon such other terms and conditions as FRANCHISOR may reasonably require, the transferee or transferee's manager must complete any training course then in effect for area developers;

3. Except in the case of a transfer to a corporation formed solely for the convenience of ownership, AREA DEVELOPER pay FRANCHISOR a transfer fee of ten percent (10%) of FRANCHISOR's then-current area developer fee;

4. AREA DEVELOPER execute a general release, in a form prescribed by FRANCHISOR, of all claims against FRANCHISOR, its affiliates and their respective officers, directors, agents, and employees. Notwithstanding such release, AREA DEVELOPER shall remain obligated under those provisions of this Agreement that expressly extend beyond the term hereof; and

5. The transferee execute FRANCHISOR's then-current Area Developer Agreement.

F. In the event of the death or permanent incapacity of the AREA DEVELOPER, the spouse or personal representative of AREA DEVELOPER may, on request in writing to FRANCHISOR made within ninety (90) days of such death or permanent incapacity, continue to act as AREA DEVELOPER under this Agreement for a period of one (1) year from the date of such request is received by FRANCHISOR to the expiration of the aforesaid one (1)-year period, the spouse or personal representative of a deceased or incapacitated AREA DEVELOPER, as the case may be, must file with FRANCHISOR an application for an Area Developer Agreement.

If application is made to FRANCHISOR for an Area Developer Agreement, FRANCHISOR agrees to authorize the person designated in such application to become an AREA DEVELOPER under this Agreement for the balance of the term hereof provided that such person substantially meets FRANCHISOR's qualifications to become an AREA DEVELOPER under the terms of this Agreement and this Agreement is not in default. No transfer fee will be required upon transfer of this Agreement to the surviving spouse, heirs, beneficiaries or devisee of AREA DEVELOPER. Except as provided in this Agreement, if the representative fails to take the steps stated above, the Agreement may be terminated.

### **13. RIGHTS AND OBLIGATIONS OF THE PARTIES UPON EXPIRATION, NONRENEWAL OR TERMINATION**

A. AREA DEVELOPER agrees that after the expiration, nonrenewal or termination of this Agreement, for any reason, it shall:

1. Not directly or indirectly at any time or in any manner identify itself or any business as a current or former franchisee, licensee or dealer of, or as otherwise associated with, FRANCHISOR, or directly or indirectly use any of FRANCHISOR's Proprietary Marks, any colorable imitation thereof or other indicia of a Center in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with FRANCHISOR or its affiliates and franchisees;

2. Promptly return or turn over to FRANCHISOR all sign, Manuals, brochures, advertising materials, forms, invoices and other materials containing any Proprietary Marks or otherwise identifying or relating to the System or the operation of a Center and allow FRANCHISOR, without liability, to remove all such items from the AREA DEVELOPER's offices;

3. Promptly take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to its use of any Proprietary Marks;

4. Promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of AREA DEVELOPER's right to use any telephone numbers and any regular, classified or other telephone directory listings associated with any Proprietary Marks and authorize transfer of same to or at the direction of FRANCHISOR. AREA DEVELOPER agrees to execute updated letters of direction to telephone companies and telephone directory listing agencies directing termination and/or transfer of AREA DEVELOPER's right to use telephone numbers associated with the Proprietary Marks, which FRANCHISOR may hold until termination or expiration hereof. AREA DEVELOPER acknowledges that as between FRANCHISOR and AREA DEVELOPER, FRANCHISOR has the sole right to and interest in all telephone numbers and directory listings associated with any Proprietary Marks. AREA DEVELOPER authorizes FRANCHISOR, and hereby appoints FRANCHISOR and any officer of FRANCHISOR as its attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer same to FRANCHISOR or at its direction, should AREA DEVELOPER fail or refuse to do so, and the appropriate telephone company and all listing agencies may accept such direction of this Agreement or AREA DEVELOPER's letter of direction held by FRANCHISOR as conclusive of the exclusive rights of FRANCHISOR in such telephone number and directory listings and its authority to direct their transfer; and

5. Furnish to FRANCHISOR, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to FRANCHISOR of AREA DEVELOPER's compliance with all obligations under this section.

B. AREA DEVELOPER agrees that:

1. During the term of this Agreement and as long as this Agreement shall be in effect, AREA DEVELOPER, (and its owners if AREA DEVELOPER is a business entity), AREA DEVELOPER's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with, or on behalf of AREA DEVELOPER, shall not, directly or indirectly, engage or be financially interested in, or associate with or invest in, the ownership or operation of a competitive business which recruits prospective franchisees, offers franchises or which offers operational and supervisory assistance to franchisees unless such competitive business is pursuant to an Area Developer Agreement with FRANCHISOR; and

2. For a period of two (2) years following the date of termination, expiration, nonrenewal or transfer of this Agreement, or any transfer of any of the assets of AREA DEVELOPER's business, AREA DEVELOPER, (and its owners if AREA DEVELOPER is a business entity), AREA DEVELOPER's spouse and other immediate family members (and each of its owners' spouses and other immediate family members), and any other person acting in concert with, or on behalf of AREA DEVELOPER, shall not, directly or indirectly, engage or be financially interested in, or associate with or invest in, the ownership or operation of a competitive business which recruits prospective franchisees, offers franchises or which offers operational and supervisory assistance to franchisees within the Territory or within a radius of twenty-five (25) miles of the Territory; and

3. If any part of the restrictions in this Section 13.B. is found by a court of law to be unreasonable in time, scope and/or distance, the restriction may be reduced in time, scope and/or distance by an appropriate order of the court to that deemed reasonable. If AREA DEVELOPER has not fully complied with its other obligations upon termination, expiration, nonrenewal or transfer, the covenants against

competition set forth above shall be in effect from the date of termination, expiration, nonrenewal or transfer until such date as AREA DEVELOPER has fully complied and for a period of two (2) years thereafter.

C. If AREA DEVELOPER, at the time of expiration, nonrenewal, transfer or termination of this Agreement is operating one or more franchises pursuant to the terms of individual Franchise Agreements entered into with FRANCHISOR then all of the rights and obligations under such individual Franchise Agreements will be applicable; however, to the extent of any conflict or inconsistency between any individual Franchise Agreement and this Agreement, the provisions of individual Franchise Agreement will govern.

D. All obligations of AREA DEVELOPER which expressly or by their nature survive the expiration, nonrenewal, transfer or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding its expiration, nonrenewal, transfer or termination and until they are satisfied in full or by their nature expire.

#### **14. CHANGES AND MODIFICATIONS**

FRANCHISOR and AREA DEVELOPER may modify this Agreement only upon the execution of a written agreement by FRANCHISOR and AREA DEVELOPER. FRANCHISOR reserves and will have the sole right to make changes in the confidential operating manual, the System and the Proprietary Marks at any time and without prior notice to AREA DEVELOPER. AREA DEVELOPER must promptly alter any signs, products, business materials or related items, at its sole cost and expense, upon written receipt of notice of such change or modification in order to conform with FRANCHISOR's revised specifications. In the event that any improvement or addition to the confidential operating manual, the System or the Proprietary Marks is developed by AREA DEVELOPER, then AREA DEVELOPER agrees to grant to FRANCHISOR an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such improvement or addition.

AREA DEVELOPER understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, FRANCHISOR's System must not remain static, in order that it best serve the interests of FRANCHISOR, AREA DEVELOPER and the System. Accordingly, AREA DEVELOPER expressly understands and agrees that FRANCHISOR may from time to time change the components of the System, including but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Centers are authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, AREA DEVELOPER expressly agrees to abide by any such modifications, changes, additions, deletions and alterations.

#### **15. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by expedited delivery service or certified or registered mail to the respective parties at the addresses indicated above unless and until a different address has been designated by written notice to the other party.

#### **16. APPLICABLE LAW; CONSENT TO JURISDICTION**

The parties have finalized this Agreement in the City of Midlothian, County of Cook, State of Illinois, and agree that this contract and their actions hereunder will be governed by and construed in accordance with the laws of the State of Illinois which laws shall control in the event of any conflict of law. The parties further agree that any proceedings which arise out of or are connected in any way with this Agreement will be submitted to the United States District Court for the Northern District of Illinois or any court of record of Cook County, Illinois, and FRANCHISOR and AREA DEVELOPER irrevocably consent to the exclusive jurisdiction of those courts and waive any objection to either the jurisdiction or venue in

those courts. AREA DEVELOPER agrees that FRANCHISOR may enforce any arbitration award and judgment in the courts of the state or states in which AREA DEVELOPER or the Principals are domiciled.

**17. WAIVER OF JURY TRIAL**

**FRANCHISOR AND AREA DEVELOPER HEREBY IRREVOCABLY WAIVE TRIAL BY JURY ON ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM.**

**18. LIMITATIONS OF CLAIMS AND CLASS ACTION BAR**

**EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO AREA DEVELOPER'S OBLIGATIONS TO MAKE ANY PAYMENT TO FRANCHISOR AND TO INDEMNIFY FRANCHISOR PURSUANT TO THIS AGREEMENT, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP OF FRANCHISOR AND AREA DEVELOPER PURSUANT TO THIS AGREEMENT SHALL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN: (1) TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED; OR (2) ONE (1) YEAR FROM THE DATE ON WHICH AREA DEVELOPER OR FRANCHISOR KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.**

**ANY PROCEEDING WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, GROUP-WIDE, JOINT, COMMON, ASSOCIATIONAL OR REPRESENTATIVE BASIS, AND A PROCEEDING BETWEEN FRANCHISOR AND AREA DEVELOPER OR THE PRINCIPALS MAY NOT BE CONSOLIDATED WITH ANOTHER PROCEEDING BETWEEN FRANCHISOR ANY OTHER PERSON OR ENTITY, NOR MAY ANY CLAIMS OF ANOTHER PARTY OR PARTIES BE JOINED WITH ANY CLAIMS ASSERTED IN ANY ACTION OR PROCEEDING BETWEEN FRANCHISOR AND AREA DEVELOPER. NO PREVIOUS COURSE OF DEALING SHALL BE ADMISSIBLE TO EXPLAIN, MODIFY, OR CONTRADICT THE TERMS OF THIS AGREEMENT. NO IMPLIED COVENANT OF GOOD FAITH AND FAIR DEALING SHALL BE USED TO ALTER THE EXPRESS TERMS OF THIS AGREEMENT.**

**19. LIMITATION OF DAMAGES**

**THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS) WHICH EITHER PARTY MAY HAVE AGAINST THE OTHER ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, RECOVERY SHALL BE LIMITED TO ACTUAL DAMAGES. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE PROVISIONS LISTED ABOVE SHALL CONTINUE IN FULL FORCE AND EFFECT, INCLUDING, WITHOUT LIMITATION, THE WAIVER OF ANY RIGHT TO CLAIM ANY CONSEQUENTIAL DAMAGES.**

**20. ATTORNEY'S FEES**

**If either party institutes any suit, action or proceeding to enforce any monetary or nonmonetary obligations or interpret the terms of this Agreement and FRANCHISOR prevails in the suit, action or proceeding, AREA DEVELOPER shall be liable to FRANCHISOR for all costs, including reasonable attorneys' fees, incurred in connection with such suit, action or proceeding.**

**21. FAILURE TO EXERCISE RIGHTS; CUMULATIVE RIGHTS**

FRANCHISOR's failure to insist upon strict compliance with any provision of this Agreement shall not be a waiver of FRANCHISOR's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by FRANCHISOR respecting any breach or default shall not affect FRANCHISOR's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement shall be cumulative. FRANCHISOR's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

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## **22. CONSTRUCTION**

A. This Agreement contains the entire agreement between the parties concerning the subject matter herein and no promises, inducements or representations not contained in this Agreement have been made, nor shall any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. FRANCHISOR reserves the right to change FRANCHISOR's policies, procedures, standards, specifications or manuals at FRANCHISOR's discretion.

B. Any provisions of this Agreement which may be reasonably interpreted to impose any obligation after termination or expiration hereof shall survive such termination or expiration and be binding upon the parties.

C. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, FRANCHISOR reserves the right to terminate this Agreement.

D. The term "AREA DEVELOPER" shall be construed to refer to the male or female gender in all cases where the AREA DEVELOPER is an individual, masculine or feminine modifiers and pronouns notwithstanding. The term "principals" shall include AREA DEVELOPER's general and limited partners, if it is a partnership, its officers, directors and shareholders, if AREA DEVELOPER is a corporation, and its members and managers, if AREA DEVELOPER is a limited liability company. The Section captions are inserted only for convenience and reference, and are not intended to define, limit or describe the scope, intent or language of this Agreement or any provisions hereof.

E. This Agreement shall be binding upon the parties and their heirs, executors, personal representatives, successors and assigns. All signatories to this Agreement and all partners of a partnership AREA DEVELOPER, all officers, directors and shareholders of a corporate AREA DEVELOPER, and all members and managers of a limited liability company AREA DEVELOPER, shall be jointly and severally liable for the performance of all terms, covenants and conditions hereof.

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### 23. ACKNOWLEDGEMENTS

The success of the business venture contemplated to be undertaken by AREA DEVELOPER by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of the AREA DEVELOPER as an independent businessman, and its active participation in the daily affairs of the business as well as other factors. FRANCHISOR does not make any representations or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

AREA DEVELOPER acknowledges that it has entered into this Agreement after making an independent investigation of FRANCHISOR's operations and not upon any representation as to gross revenues, volume, potential earnings or profits which AREA DEVELOPER in particular might be expected to realize, nor has anyone made any other representation which is not expressly contained herein, to induce AREA DEVELOPER to accept this license and execute this agreement.

AREA DEVELOPER represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. AREA DEVELOPER further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Agreement the date and year first written above.

ATTEST:

MORAN INDUSTRIES, INC.  
D/B/A MORAN FAMILY OF BRANDS®

\_\_\_\_\_

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

AREA DEVELOPER

\_\_\_\_\_

\_\_\_\_\_



**Exhibit A**  
**TO**  
**MR. TRANSMISSION® / MULTISTATE TRANSMISSIONS®**  
**AREA DEVELOPER AGREEMENT**

**SINGLE UNIT FRANCHISE AGREEMENT**

## EXHIBIT P

### MR. TRANSMISSION® OR MULTISTATE TRANSMISSIONS® / MILEX® COMPLETE AUTO CARE CO-BRANDING AREA DEVELOPER ADDENDUM

This Co-Branding Addendum ("Addendum") is made as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ between Moran Industries, Inc., an Illinois corporation d/b/a Moran Family of Brands® with an address of 4444 West 147th Street, Midlothian, Illinois 60445 ("FRANCHISOR") and \_\_\_\_\_, an individual with an address of \_\_\_\_\_ ("AREA DEVELOPER").

#### BACKGROUND

A. Contemporaneous with the execution of this Addendum, AREA DEVELOPER executed an agreement (known as the "Area Developer Agreement") with FRANCHISOR pursuant to which AREA DEVELOPER obtained the right and undertook the obligation to serve as an independent contractor of FRANCHISOR and to coordinate the development of a certain territory including recruiting franchisees to operate transmission service centers under the mark "Mr. Transmission®" and/or "Multistate Transmissions®" pursuant to individual franchise agreements.

B. Through the expenditure of money, time and effort, FRANCHISOR has also developed a distinct and proprietary method business format for the operation of automotive tune-up and brakes service centers (the "System"), the distinguishing characteristics of which include proprietary operating procedures and standards and specifications for products and services, as amended from time to time in FRANCHISOR's sole discretion.

C. The System is identified by proprietary trademarks, service marks, trade dress, logos and other indicia of origin including, without limitation, the trade name "Milex® Complete Auto Care" and logo (the "Proprietary Marks").

D. FRANCHISOR offers franchises to qualified individuals for the right to use the System and Proprietary Marks at a single approved location.

E. FRANCHISOR continues to develop, expand, use, control and add to the Proprietary Marks and System for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of the products and services marketed thereunder and to represent the System's high standards of quality and service.

F. FRANCHISOR offers certain qualified individuals a franchise to operate a Mr. Transmission or Multistate Transmissions franchised center in conjunction with a Milex Complete Auto Care franchised center from the same location (the "Co-Branded Center").

G. AREA DEVELOPER desires to obtain the right to obtain the right to recruit franchisees to operate Co-Branded Centers within the territory described in the Area Developer Agreement (the "Territory") and to provide continuing operational and supervisory assistance and otherwise administer the System as used in Co-Branded Centers within the Territory as specified in this Addendum.

H. This Addendum shall apply to the recruitment of franchisees to operate Milex Complete Auto Care centers in conjunction with Mr. Transmission or Multistate Transmissions service centers as Co-Branded Centers ("Co-Branded Franchisees") and to the operational and supervisory assistance rendered to Co-Branded Centers within the Territory and does not otherwise alter the parties' rights and obligations described within the Area Developer Agreement, unless clearly stated to the contrary.

## **AGREEMENT**

NOW THEREFORE, in consideration of the promises, undertakings and commitments of each party to the other party described in this Addendum, the parties mutually agree as follows:

### **1. GRANT**

A. FRANCHISOR hereby grants to AREA DEVELOPER, the right to recruit Co-Branded Franchisees in the Territory and provide certain services to Co-Branded Franchisees in strict accordance with the System and under the Proprietary Marks. Each Co-Branded Center shall operate according to the terms of an individual Single Unit Franchise Agreement with Co-Branding Addendum (the "Co-Branded Franchise Agreement"), a copy of which is attached hereto as Exhibit A, which may be modified from time to time by FRANCHISOR.

B. For the purposes of this Addendum, all references to the "Center" in the Area Developer Agreement shall be interpreted to include a Co-Branded Center and the development of Co-Branded Centers contemplated under this Addendum.

C. For the purposes of this Addendum, all references to the "Franchise Agreement" in the Area Developer Agreement shall be interpreted to include the "Co-Branded Franchise Agreement."

D. The term of this Addendum shall be concurrent with the Term of the Area Developer Agreement as the same may be renewed or earlier terminated.

### **2. PROPRIETARY MARKS**

The definition of proprietary marks in the Area Developer Agreement shall include without limitation, the trade names "Milex Complete Auto Care," "Milex Tune Up and Brakes," "Milex Service Center," "Milex," and "Milex Car."

### **3. TERMINATION**

Section 11 of the Area Developer Agreement is hereby amended to include termination as a result of a breach of any obligation arising from this Addendum. Specifically, any breach or failure by Area Developer to perform any of the terms, obligations or conditions of this Addendum or of the Area Developer Agreement shall render the Area Developer Agreement and Addendum terminable under the same terms and conditions listed in Section 11 of the Area Developer Agreement.

### **4. ASSIGNMENT BY AREA DEVELOPER**

AREA DEVELOPER's rights under this Addendum are not assignable or transferable under any circumstances except in conjunction with the Area Developer Agreement pursuant to the terms and conditions of Section 12 of the Area Developer Agreement.

### **5. TERMS OF AREA DEVELOPER AGREEMENT ENFORCEABLE**

All other terms of the Area Developer Agreement shall remain in full force and effect. Any term defined in the Area Developer Agreement which is not defined in this Addendum will be ascribed the meaning given to it in the Area Developer Agreement.

### **6. FULL AGREEMENT**

The Area Developer Agreement and this Addendum constitute the entire, full and complete agreement between FRANCHISOR and AREA DEVELOPER concerning the subject matter hereof and supersede any and all prior agreements. In the event of a conflict or inconsistency between this Addendum and the Area Developer Agreement, the terms and intent of this Addendum shall control.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

ATTEST:

MORAN INDUSTRIES, INC.  
D/B/A MORAN FAMILY OF BRANDS®

\_\_\_\_\_

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

AREA DEVELOPER

\_\_\_\_\_  
Witness

\_\_\_\_\_

## EXHIBIT Q

### General Release

The undersigned, for itself and on behalf of its representatives, attorneys, employees, agents, officers, directors, shareholders, successors, assigns, and owned, controlled and/or affiliated companies (collectively, the "Releasors"), as the case may be, does hereby, jointly and severally with all other Releasors, remise, release and forever discharge Moran Industries, Inc. d/b/a Moran Family of Brands®, its representatives, attorneys, employees, agents, officers, directors, shareholders, successors, assigns, and owned, controlled and/or affiliated companies (collectively, the "Released Parties"), as the case may be, of and from all manner of actions, cause and causes of action, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, liabilities, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands, costs and expenses (including attorneys' fees), whatsoever, in law or in equity, whether they are presently known or unknown or suspected or unsuspected, whether liquidated or unliquidated, fixed or contingent, developed or undeveloped, or direct or indirect, which the Releasors now have against any of the Released Parties, or which the Releasors, shall or may have, for, upon, or by reason of any matter, cause, or thing, whatsoever on or at any time prior to the date hereof. The Releasors further state that they have read and understand that this is a General Release and that they intend to be jointly and severally and legally bound by the same. Any breach by any one or more of the Releasors of this General Release shall be deemed to be and shall be a breach of contract for which any of the Released Parties shall have a cause of action for breach of contract and for which any of the Released Parties may pursue the available remedies for breach of contract, inclusive of but not limited to the recovery of damages, costs, and reasonable attorneys' fees.

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Signature

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Name (Print)

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Date

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Signature

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Name (Print)

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Date

**EXHIBIT R**  
**STATE SPECIFIC ADDENDA**

**CALIFORNIA ADDENDUM  
TO MORAN INDUSTRIES, INC.  
FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 *et seq.*, the Franchise Disclosure Document for Moran Industries, Inc. for use in the State of California, shall be amended as follows:

Item 1 through Item 5 are supplemented to include the following:

Any Area Developer Rights and Co-Branded Area Developer Rights described and offered in this FDD are sub-franchisors as defined in FIL §31008.5. Any purchaser or operator of an Area Developer or Co-Branded Area Developer must have a separate registration in order to offer and sell franchises in California (FIL§ 31110).

Item 3 of the FDD is supplemented to include the following:

Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.

Item 17 of the FDD shall be supplemented to include the following:

California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will California Business & Professions Code Sections 20000 through 20043 provide rights control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 *et seq.*).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the law of the State of Illinois. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

**THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.**

**ADDENDUM TO MORAN INDUSTRIES, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED FOR THE STATE OF MINNESOTA**

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Moran Industries, Inc. Franchise Disclosure Document.

Item 13

Moran will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

Item 17

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this disclosure document, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 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 nonrenewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 provides that any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of Minnesota or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance or which has the effect of waiving compliance with any provision of §§80C.01 to 80C.22 of the Minnesota Franchises Act, or any rule or order thereunder, is void.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits Moran Industries, Inc. from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

To the extent you are required to execute a general release in favor of Moran, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.



**ADDENDUM TO MORAN INDUSTRIES, INC.  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF WASHINGTON**

For franchises and Franchisees subject to the Washington Franchise Investment Protection Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Moran Industries, Inc. Franchise Disclosure Document.

If any of the provisions in this Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act, the provisions of the Act will prevail over the inconsistent provisions of the Franchise Agreement with regard to any franchise sold in Washington.

Item 6.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Item 17.

Notwithstanding the provisions of the Franchise Agreement, in the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

**EXHIBIT S**

**LIST OF FRANCHISEES**

**As of December 31, 2013**

## **List of Franchisees**

### **Alabama**

#### **Mr. Transmission**

5909 A Service Road  
Birmingham, AL 35235  
(205) 655-1577  
Robert Fondren

2771 Ross Clark Circle  
Dothan, AL 36301  
(334) 673-8726  
Scott Hartzell

1539 Montgomery Highway  
Hoover, AL 35216  
(205) 979-3090  
Randy Whitworth

813 Memorial Parkway NW  
Huntsville, AL 35801  
(256) 536-6989  
Pat Bingham

8918 Memorial Parkway SW  
Huntsville, AL 35802  
(256) 883-6989  
Pat Bingham

267 Ingate Street  
Mobile, AL 36607  
(251) 278-5234  
Ferrell Murph

1162 E. South Blvd.  
Montgomery, AL 36116  
(334) 286-9666  
James Gray

3359 Pelham Parkway  
Pelham, AL 35124  
(205) 621-0836  
Randy Whitworth

6403 B McFarland Blvd. E  
Tuscaloosa, AL 35405  
(205) 758-2400  
James Wade

### **California**

#### **Mr. Transmission**

801 Riverside Ave., Suite 135  
Roseville, CA 95678  
(916) 474-4019  
Tom Costello

### **Colorado**

#### **Mr. Transmission**

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Carbondale, CO 81623  
(970) 963-9120  
Brian and Jennifer Sawyer

11155 S. Dransfeldt Road  
Parker, CO 80134  
(303) 885-7717  
Al Pridemore

### **Connecticut**

#### **Dr. Nick's Transmissions**

498 New Haven Avenue  
Milford, CT 06460  
(203) 877-2898  
Nick Bragano

#### **Milex**

1289 Stratford Avenue  
Stratford, CT 06497  
(203) 378-2679  
Steve Kuchta

### **Florida**

#### **Mr. Transmission**

202 Racetrack Rd. NE  
Ft. Walton Beach, FL 32547  
(850) 862-5955  
McGee Wright

535 Cassat Avenue  
Jacksonville, FL 32236  
(904) 387-5648  
Chuong Nguyen

202 E. Memorial Blvd.  
Lakeland, FL 33801  
(863) 683-5608  
Larry Boylan

11 Robin Road  
Orange Park, FL 32073  
(904) 272-7600  
Pat Vanek/Bob Vanek

9 E. 15<sup>th</sup> Street  
Panama City, FL 32405  
(850) 769-4606  
Marlon Ducker

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(850) 478-4050  
AJ Hatch

#### **Mr. Transmission / Milex**

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32701  
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### **Georgia**

#### **Mr. Transmission**

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(229) 435-0503  
Clarence Thomason

6569 C. Roswell Road  
Atlanta, GA 30328  
(404) 843-3379  
Lowell Hester

1902 Gordon Highway  
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(706) 736-7509  
William Sasser

12 Mill Street  
Canton, GA 30114  
(770) 479-1500  
Mike and Jacqueline Smith

1801 Manchester Exp.  
Columbus, GA 31904  
(706) 507-4045  
Lynette Murray May/Mike  
May

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Decatur, GA 30033  
(404) 325-8484  
Scott Hester

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Decatur, GA 30035  
(770) 322-5471  
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(770) 497-9595  
Erik Richards

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Lawrenceville, GA 30045  
(770) 822-5800  
Jim Strong

4450 Lawrenceville Highway  
NW  
Lilburn, GA 30047  
(770) 381-8008  
Derrick Weaver

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Marietta, GA 30060  
(770) 426-0333  
Mike and Judy Cook

10435 Alpharetta Street  
Roswell, GA 30075  
(770) 993-0044  
Robert Sobotka

5117 Montgomery Street  
Savannah, GA 31405  
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Ron Formby

3495 Stone Mountain Hwy.  
78  
Snellville, GA 30078  
(770) 972-7650  
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#### **Mr. Transmission / Milex**

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Robert Horgan

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#### **Multistate Transmission**

12754 S. Western Avenue  
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Robert Lindecker

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Dave Wegrzyn

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Al Martin

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Oak Forest, IL 60452  
(708) 687-1500  
Ron Frydrychowski/Brad  
Stroube

348 W. 162<sup>nd</sup> Street  
South Holland, IL 60473  
(708) 339-7044  
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(630) 325-4975  
Tony Arito

#### **Mr. Transmission / Milex / Alta Mere**

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Sycamore, IL 60178  
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Mike Slavens

#### **Mr. Transmission**

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Terrance Roche/Thomas  
Roche

**Indiana****Mr. Transmission**

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**Multistate Transmission**

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(219) 838-8323  
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Jack Johnston

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Tim Olson

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Gina Anspach

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Louisville, KY 40219  
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Jeffrey and Donna Carman

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George Kok

**Mr. Transmission / Milex**

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Middletown, KY 40223  
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Clayton Higdon

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(301) 662-4028  
Albert Daniel

**Michigan****Multistate Transmission**

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(248) 435-2162  
Calvin Moorish

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Dearborn Heights, MI 48127  
(313) 565-0690  
Luther Smith

34957 Plymouth Road  
Livonia, MI 48150  
(734) 261-5800  
Paul McIntosh

24111 Groesbeck Highway  
Warren, MI 48089  
(586) 774-0660  
John Prior

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Waterford, MI 48328  
(284) 682-7433  
Tom Layman

**Mr. Transmission / Milex**

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Flint, MI 48507  
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John Castleberry

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(810) 385-8700  
Tim Printz

**Mississippi****Mr. Transmission**

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Jackson, MS 39204  
(601) 352-3021  
Jay Pond

**New York****Dr. Nick's Transmissions**

433 Route 25A  
Rocky Point, NY 11778  
(631) 751-6500  
Nick Costa/Joe Costa

**North Carolina****Mr. Transmission**

639 Patton Avenue  
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(828) 254-9370  
Jerry Owneby, Jr.

**Mr. Transmission / Milex**

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Charlotte, NC 28205  
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Frank Norton

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(919) 779-3460  
Henry Bateman

## **Ohio**

### **Mr. Transmission**

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Sharonville, OH 45241  
(513) 769-3111  
Chris Hoscheid

## **Oklahoma**

### **Mr. Transmission / Milex**

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Roman Combs\*

## **South Carolina**

### **Mr. Transmission**

1307 Broad River Road  
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Ron Bingham

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(864) 585-5521  
Joel Bingham

### **Mr. Transmission / Milex**

515 S. Pleasantburg Drive  
Greenville, SC 29607  
(864) 233-3322  
Dean Bingham/Robin  
Bingham

## **Tennessee**

### **Mr. Transmission**

3464 Lebanon Road  
Hermitage, TN 37076  
(615) 896-1881  
Jeff Bolton

1013 Gallatin Road  
Madison, TN 37115  
(615) 865-9187  
Jimmy Mitchell

### **Mr. Transmission / Milex**

374 Buffalo Valley Road  
Cookeville, TN 38501  
(931) 520-4004  
Garry and Donna Cravens

2810 Market Street  
Johnson City, TN 37604  
(423) 328-0595  
Tim and Laura Rodifer

### **Mr. Transmission / Alta Mere**

6066 New Nashville Highway  
Murfreesboro, TN 37129  
(615) 889-2886  
Jeff Bolton

## **Texas**

### **Mr. Transmission**

11642 Jones Road  
Houston, TX 77070  
(281) 890-9191  
Eduardo Villagomez\*

1718 College Avenue  
Houston, TX 77017  
(713) 943-1200  
Eduardo Villagomez

1560 Austin Highway  
San Antonio, TX 78218  
(210) 832-8600  
Danny O'Rourke

1816 Spring Cypress Road  
Spring, TX 77388  
(281) 353-5600  
Eduardo Villagomez

13572 Murphy Road  
Stafford, TX 77477  
(281) 499-4545  
Rao Mutyala

1805 W. Erwin St.  
Tyler, TX 75702  
(903) 509-3500  
McGee Wright

### **Multistate Transmission**

3850 Hemphill Street  
Fort Worth, TX 76110  
(817) 921-6155  
John Olson

5713 Denton Highway  
Haltom City, TX 76148  
(817) 656-8171  
John Olson

### **Mr. Transmission / Milex**

7315 Highway 105  
Beaumont, TX 77713  
(409) 892-9900  
Gordon and Caroline Ricossa

5342 Antoine Drive  
Houston, TX 77091  
(713) 683-0700  
Chris and Lindsey Vaughn

12344 East I-10 Freeway  
Houston, TX 77015  
(713) 455-1780  
Ron Weiss

4802 Larkin Street  
Houston, TX 77007  
(713) 862-9895  
Aijaz and Shahida Almani

1403 E. FM 1960 Bypass  
Humble, TX 77338  
(281) 446-5553  
Eduardo Villagomez

## **Virginia**

### **Mr. Transmission**

21982 Commerce Drive  
Abingdon, VA 24211  
(276) 623-1934  
Rochelle Branton

12598 Warwick Blvd.  
Newport News, VA 23606  
(757) 930-0242  
Lyle McElrath

3642 Holland Road, # 102  
Virginia Beach, VA 23452  
(757) 463-5454  
Robert Henesey

**Mr. Transmission / Milex**

9440 Atlee Commerce Blvd.  
Ashland, VA 23005  
(804) 550-4800  
Phillip and Linda Hahn

205 W. Mercury Blvd.  
Hampton, VA 23669  
(757) 727-9044  
Milton Gay

1105 Homer Road  
Woodbridge, VA 22191  
(703) 491-5888  
Nader Kamrani

**\*Area Developer**

## EXHIBIT T

### 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 Moran Industries, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Moran Industries, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency in your state.

Please check the box next to the franchise seller(s) listed below who offered you a Moran franchise:

<input type="checkbox"/> Peter Baldine 4444 W. 147 <sup>th</sup> Street Midlothian, Illinois 60445 (800) 377-9247	<input type="checkbox"/> Ben Reist 4444 W. 147 <sup>th</sup> Street Midlothian, IL 60445 (800) 377-9247	<input type="checkbox"/> Name of franchise seller: _____ Principal business address: _____ Telephone Number: _____
--	--	--

This issuance date of this disclosure document is March 20, 2014. I have received a franchise disclosure document that included the following Exhibits on the date listed below:

EXHIBIT A	List of State Administrators
EXHIBIT B	Agents for Service of Process
EXHIBIT C	Financial Statements
EXHIBIT D	Compliance Certification
EXHIBIT E	Franchise Agreement, Exhibit 1 – Lease or Sublease, Exhibit 2 – TPM PRO <sup>®</sup> Software License Agreement and Exhibit 3 – Nondisclosure and Non-Competition Agreement
EXHIBIT F	Guarantee and Assumption of Obligations
EXHIBIT G	Franchisee List of Officers and Directors
EXHIBIT H	Co-Branding Franchise Addendum
EXHIBIT I	Conversion Franchise Addendum
EXHIBIT J	ACH Authorization Agreement
EXHIBIT K	Agreement to Participate in Local Advertising Group
EXHIBIT L	Lease Addendum
EXHIBIT M	Standard Promissory Note and Security Agreement
EXHIBIT N	Telephone Service Assignment
EXHIBIT O	Area Developer Agreement
EXHIBIT P	Co-Branding Area Developer Agreement
EXHIBIT Q	General Release
EXHIBIT R	State Specific Addenda
EXHIBIT S	List of Franchisees
EXHIBIT T	Receipt

Please print your name, telephone number and the date below, sign and return one copy of this receipt to Moran Industries, Inc., 4444 W. 147<sup>th</sup> Street, Midlothian, Illinois 60445 and keep the other for your records.

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

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Telephone Number

Complete Below for a Partnership, Corporation or Limited Liability Corporation:

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

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

Name of Company: \_\_\_\_\_



## 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.

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<input type="checkbox"/> Peter Baldine 4444 W. 147 <sup>th</sup> Street Midlothian, Illinois 60445 (800) 377-9247	<input type="checkbox"/> Ben Reist 4444 W. 147 <sup>th</sup> Street Midlothian, IL 60445 (800) 377-9247	<input type="checkbox"/> Name of franchise seller: _____ Principal business address: _____ Telephone Number: _____
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\_\_\_\_\_  
Print Name

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Telephone Number

Complete Below for a Partnership, Corporation or Limited Liability Corporation:

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

Name of Company: \_\_\_\_\_