

## FRANCHISE DISCLOSURE DOCUMENT

**ALSET AUTO DEVELOPMENT LLC**  
An Oregon limited liability company  
135 NE 12<sup>th</sup> Avenue  
Portland, Oregon 97232  
503-255-6666  
info@alsetauto.com  
[www.alsetauto.com](http://www.alsetauto.com)



The franchisee will operate an automotive paint protection business that offers, among other things, paint protection, ceramic coating and window tinting services for Tesla® vehicles.

The total initial investment necessary to begin operation of the ALSET business ranges from \$98,244 - \$174,794. This includes \$57,000 to \$62,000 that must be paid to us or an 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 the 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.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire 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. 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 public library for other sources of information on franchising.

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

Issuance Date: **December 14, 2023**

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Oregon. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Oregon than in your own state.
2. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
3. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
5. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

**ALSET AUTO DEVELOPMENT LLC**  
**Franchise Disclosure Document**  
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**LIST OF EXHIBITS**

EXHIBIT A: List Of State Franchise Administrators And Agents For Service Of Process  
EXHIBIT B: Franchise Agreement with Attachments  
EXHIBIT C: Financial Statements of ALSET Auto Development LLC  
EXHIBIT D: Operations Manual Table of Contents  
EXHIBIT E: Outlets as of the date of this Disclosure Document  
EXHIBIT F: State Addenda  
EXHIBIT G: Alset Auto Acknowledgment Statement  
State Effective Dates  
EXHIBIT H: Receipt

## **ITEM 1: The Franchisor, And Any Parents, Predecessors And Affiliates**

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means Alset Auto Development LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of an ALSET franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a limited liability company in the state of Oregon on September 11, 2020. Our principal business address is 135 NE 12<sup>th</sup> Avenue, Portland, Oregon 97232, and our telephone number is 503-255-6666. We do business under our company name, “ALSET Auto” and its associated design (the “Marks”). We do not own or operate any businesses of the type you will be operating. Neither we nor our affiliates have offered franchises in any other line of business or provide products or services to franchisees. We only offer franchises which operate under the “ALSET” Marks. We began offering franchises on December 21, 2020.

The principal business addresses of our agents for service of process are shown on Exhibit A.

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

We have no parents or predecessors.

We have an affiliate, Alset, LLC, an Oregon limited liability company with its principal place of business at 135 NE 12<sup>th</sup> Avenue, Portland, OR 97232. Alset, LLC operates two affiliate-owned ALSET Automotive outlets, one in Portland, Oregon, since May 2019 and in Redmond, Washington since May, 2021. Alset, LLC has not offered franchises in this or any other line of business.

### **The Franchise Offered:**

We grant franchises for the right to operate a business offering automotive paint protection, ceramic coating, window tinting, vinyl wrap and related services for Tesla vehicles. You will provide products and services to customers under the “ALSET Auto” Marks, using our distinctive operating procedures and standards in a limited protected territory and from a single location (the “Franchised Business”). The distinguishing characteristics of a ALSET Franchised Business include, but are not limited to, the ALSET distinctive trade dress, proprietary products, operations methods, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

You will sign our Franchise Agreement which is included in Exhibit B of this Disclosure Document.

### **Market and Competition:**

The market for your ALSET Auto Franchised Business consists of luxury car owners who desire paint protection, window tinting, chrome delete and interior vinyl wrap services for their vehicles. Your Franchised Business will particularly market to and serve owners of Tesla<sup>®</sup> vehicles. The Tesla<sup>®</sup> trademark is owned by Tesla, Inc. and we have no affiliation with Tesla, Inc. or its affiliated entities.

The market for automotive paint protection is developed, and automotive detailing businesses are highly competitive. You will compete with businesses, including national, regional and local

businesses, offering products and services similar to those offered by your ALSET Auto Franchised Business including other car detailing outlets and body shops. There are other franchises, as well as independent businesses throughout the United States that may offer similar products and services to those offered by your Franchised Business. The demand for the products and services offered by your Franchised Business are also affected by changes in demographics and economic conditions.

### **Industry Specific Regulations:**

You must comply with all best practices and environmental laws regarding the use, storage and disposal of paint protection and ceramic solutions. You must comply with all best practices and health and sanitation laws, rules and regulations regarding the use, maintenance and cleaning of your work stations and tools. We may require you to upgrade the ventilation systems at your premises due to the use of paint protection and ceramic solutions and other products to ensure adequate air quality, and there may be laws, rules or regulations in your Territory that set minimum ventilation standards.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, business operations, insurance, discrimination, employment, health, sanitation and workplace safety laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

## **ITEM 2: Business Experience**

### **CEO: Phil Bunting**

Phil Bunting has been our Chief Executive Officer since September 2020. He is also the Chief Executive Officer of our affiliate, Alset Auto, LLC, since May 2019 as well as the Vice President of Operations for GFBUNTING + CO in Los Angeles, CA, since August 2011.

### **COO: Marcus Brown**

Marcus Brown has been our Chief Operating Officer since September 2020. He is also the Chief Operating Officer of our affiliate, Alset Auto, LLC, since May 2019, as well as the Owner and Chief Operating Officer of Realty One Group Prestige in Portland, Oregon, since May 2017. From January 2010 to May 2017, Marcus worked as Owner and Chief Executive Officer of Marcus Brown Properties in Portland, Oregon.

## **ITEM 3: Litigation**

No litigation is required to be disclosed in this Item.

## **ITEM 4: Bankruptcy**

No bankruptcy is required to be disclosed in this Item.

## ITEM 5: Initial Fees

We will charge you an initial franchise fee ("Initial Franchise Fee") when you sign the Franchise Agreement. The Initial Franchise Fee is Forty-Five Thousand Dollars (\$45,000). The Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance.

From time to time, we may offer special incentive programs as part of our franchise development activities. We currently offer an incentive whereby we will discount the Initial Franchise Fee by one-third for the second and each subsequent Franchise Agreement for an ALSET Auto outlet that you sign with us. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

You are required to pay us a Marketing Platform Setup Fee of \$5,000 for the establishment of a unique website, social media platforms, Facebook Pixels and Google Analytics on behalf of your Franchised Business. This fee is due when you sign the Franchise Agreement. This fee is not refundable under any circumstance.

You are required to purchase your initial inventory from us, which will include paint protection film, ceramic coating, buckets, sponges, and micro-fiber towels that you will need to open your Franchised Business. The cost of the initial inventory is \$5,000 to \$10,000 and is due 30 days before the scheduled opening of your franchised business. This fee is not refundable under any circumstance.

You are required to pay us a Grand Opening Advertising Fee of \$2,000 for promotional giveaways on behalf of your Franchised Business. This fee is due prior to your attendance at the Initial Management Training Program. This fee is not refundable under any circumstance.

## ITEM 6: Other Fees

| Type of Fee                                                      | Amount                           | Due Date                                                                              | Remarks                                                                               |
|------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Continuing Royalty Fee                                           | 8% of weekly Gross Revenue       | Weekly on Tuesday for Gross Revenues earned in the prior week (Monday through Sunday) | Payable to us. See footnote 1.                                                        |
| Required Minimum Expenditure for Local Marketing and Advertising | \$4,500 per month.               | Monthly                                                                               | Payable to third parties. All advertising must be pre-approved by us. See footnote 2. |
| Brand Fund Contribution                                          | Currently 1.5% of Gross Revenue. | Weekly on Tuesday for Gross Revenues earned in the prior week (Monday through Sunday) | Brand Fund Contributions are paid directly to the Brand Fund. See footnote 3.         |



| Type of Fee              | Amount                                                                                                                                                                                                                                                                                                                              | Due Date                           | Remarks                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Advertising Cooperative  | Currently \$0                                                                                                                                                                                                                                                                                                                       | As determined by cooperative.      | No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised ALSET Auto outlets in a designated geographic area. Any affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion. |
| Interest Charge          | 18% per annum from due date, or maximum allowed by law                                                                                                                                                                                                                                                                              | As incurred                        | If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.                                                                                                                                                                                                                                      |
| Non-Sufficient Funds Fee | \$250                                                                                                                                                                                                                                                                                                                               | As incurred                        | If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you a Non-Sufficient Funds Fee.                                                                                                                                                                            |
| Successor Agreement Fee  | \$3,000                                                                                                                                                                                                                                                                                                                             | Before signing successor agreement | Payable to us. See Item 17.                                                                                                                                                                                                                                                                                                                                     |
| Transfer Fee             | 75% of the then-current initial franchise fee. For transfers to:<br>(i) an existing franchisee in good standing, the transfer fee is 50% of the then-current initial franchise fee,<br>(ii) an entity owned and controlled by the franchisee for convenience purposes or for transfers among owners that does not change management | Before we approve the transfer.    | Payable to us. See Item 17                                                                                                                                                                                                                                                                                                                                      |

| Type of Fee                    | Amount                                                                                                                                                                   | Due Date                                                                                                                             | Remarks                                                                                                                                                                                                                                                                                                                               |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                | control, the transfer fee is \$1,500 and (iii) a spouse, parent or child upon death or permanent disability, the transfer fee is \$3,500.                                |                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                       |
| Initial Training               | No charge for initial training of up to three individuals.                                                                                                               | Travel and related expenses are due as incurred. Fees for training your key personnel are due prior to the commencement of training. | Initial training takes place in Portland, Oregon. See Item 11.                                                                                                                                                                                                                                                                        |
| Additional Training            | A reasonable fee for each training session. Fee is currently \$600. You pay all travel and other related expenses incurred by you and your personnel to attend training. | As incurred.                                                                                                                         | See footnote 4.                                                                                                                                                                                                                                                                                                                       |
| Remedial Training Fee          | Our current per diem rate is \$500 per day.                                                                                                                              | As incurred.                                                                                                                         | We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals. |
| Interim Management Support Fee | Our current rate is greater of \$800 per day, plus travel and other expenses, or 10% of Gross Revenue.                                                                   | As incurred.                                                                                                                         | We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Fund Contributions), payable to us, if we provide on-site management of your Franchised Business. See footnote 5.                                                                                                    |

| Type of Fee                                   | Amount                                        | Due Date     | Remarks                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------|-----------------------------------------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Examination of Books and Records              | Cost of examination plus related expenses.    | As incurred. | We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by two percent (2%) or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to repaying monies owed and interest on the monies owed. |
| Evaluation Fee of Unapproved Item or Supplier | Actual cost of inspection and testing.        | As incurred  | Payable to us.                                                                                                                                                                                                                                                                                                                                               |
| Quality Review Services                       | Up to \$200, monthly, subject to increase.    | As incurred  | Payable to third-party providers. See footnote 6.                                                                                                                                                                                                                                                                                                            |
| Technology Fee                                | Currently \$75, Up to \$190, weekly           | As incurred  | We reserve the right to impose a fee for new or improved technology for the benefit of the System and the Franchised Business, including but not limited to, assigned phone numbers and email addresses, a franchise portal, benchmarking platform or other operations or communications systems.                                                            |
| Accounting Services                           | Actual costs                                  | As incurred. | We are entitled to require you to use an external accounting service if (i) you do not keep your books and records in accordance with our requirements or (ii) we determine that use of an external service by all franchisees is beneficial to the System.                                                                                                  |
| Relocation Fee                                | 25% of the then-current initial franchise fee | As incurred  | This fee is due if we approve your request to relocate your ALSET Auto outlet.                                                                                                                                                                                                                                                                               |

| Type of Fee                                           | Amount                                                                                                                                                                                | Due Date                                                         | Remarks                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unauthorized Product/Service Fine                     | \$500 per day                                                                                                                                                                         | As incurred                                                      | Upon our notice to you, you must immediately cease using or offering any unauthorized product or service, and we will impose a fine for each day the use or offer of any unauthorized product or service continues.                                                                                                |
| Liquidated Damages                                    | Up to 24 months of Royalty Fees and Brand Fund Contributions                                                                                                                          | Upon termination of the Franchise Agreement due to your default. | If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee and Brand Fund Contribution payable by you for the 12 months prior to your default multiplied by the lesser of 24 months or the number of months remaining in the term of your Franchise Agreement. |
| Indemnification                                       | Amount of loss or damages plus costs                                                                                                                                                  | As incurred.                                                     | See footnote 7.                                                                                                                                                                                                                                                                                                    |
| Reimbursement of Cost and Expenses for Non-compliance | Actual costs and expenses                                                                                                                                                             | As incurred.                                                     | See footnote 8.                                                                                                                                                                                                                                                                                                    |
| Reimbursement of legal fees and expenses              | Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement. | As Incurred                                                      | Payable to us.                                                                                                                                                                                                                                                                                                     |
| Confidential Operation Manual Replacement Fee         | Currently \$250, subject to change                                                                                                                                                    | As incurred                                                      | Paid to us.                                                                                                                                                                                                                                                                                                        |

| Type of Fee             | Amount                                                                                                      | Due Date       | Remarks                                                                                                                                                                                                                                                              |
|-------------------------|-------------------------------------------------------------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Insurance Reimbursement | Amount paid by us for your insurance obligations, plus a 10% administrative fee and our legal fees, if any. | As incurred    | You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.                                                                                                     |
| Reimbursement of Taxes  | Amount of taxes                                                                                             | When incurred. | You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales taxes or income taxes imposed by any authority. |

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

<sup>1</sup> “Gross Revenue” includes all sales of every kind and nature at or from your Franchised Business location or made pursuant to the rights granted to you by the Franchise Agreement, regardless of whether you have collected the amount of the sales. “Gross Revenue” does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e. coupons). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. If you do not report revenues for any week, then we will collect 120% of the last Continuing Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds.

<sup>2</sup> Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter. You may not use social media platforms, such as Facebook, Twitter, Instagram, LinkedIn, blogs and other networking and sharing websites, unless you first receive our written approval to do so and such use is in strict accordance with our requirements.

<sup>3</sup> Brand Fund Contribution payments are due at the same time and in the same manner as Royalty Fees. We reserve the right to increase the brand fund contribution up to 3% of Weekly Gross Revenue. You are required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund’s bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report any sales in a week then the Brand Fund will collect 120% of the last Brand Fund Contribution collected and settle the balance the next week in which you report sales.

<sup>4</sup> We may offer mandatory and/or optional additional training programs, including an annual business meeting or convention, from time to time. If we require it, you must participate in additional training for up to five (5) days per year and/or a business meeting or convention for up to three (3) days per year, at a location we designate. We reserve the right to impose a reasonable fee for all additional training programs, including the national business meeting or annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

<sup>5</sup> In the event of your death or disability, your default of the Franchise Agreement, absence of a qualified general manager, or other reasons, in our sole discretion, we may provide interim on-site management of your Franchised Business.

<sup>6</sup> We may establish quality assurance programs conducted by third-party providers, such as, by way of example only, mystery shop programs and periodic quality audits, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program.

<sup>7</sup> You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

<sup>8</sup> If you fail to do so, in our sole discretion, we may correct any deficiency in the Franchised Business and/or your operation of the Franchised Business or take steps to modify, alter or de-identify the Franchised Location upon the termination or expiration of the Franchise Agreement. You will reimburse us for our costs and expenses incurred to correct any deficiency or to modify, alter or de-identify the Franchised Business location.

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

| Type of Expenditure                 | Amount            | Method of Payment                               | When Due                                                     | To Whom Payment is Made                       |
|-------------------------------------|-------------------|-------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------|
| Initial Franchise Fee <sup>1</sup>  | \$45,000          | Lump sum payment in cash or available funds.    | Upon signing the Franchise Agreement.                        | Us                                            |
| Your Training Expenses <sup>2</sup> | \$2,000 - \$3,000 | As required for transportation, lodging & meals | As required by suppliers of transportation, lodging & meals. | Suppliers of transportation, lodging & meals. |

| Type of Expenditure                                                 | Amount             | Method of Payment                               | When Due                                                       | To Whom Payment is Made                                    |
|---------------------------------------------------------------------|--------------------|-------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------|
| Premises deposit <sup>3</sup>                                       | \$6,000 - \$9,500  | As required by landlord                         | As required by landlord                                        | Landlord                                                   |
| Utilities deposits <sup>4</sup>                                     | \$0 - \$500        | As required by utility providers                | As required by utility providers                               | Utility providers                                          |
| Leasehold Improvements, Construction and/or Remodeling <sup>5</sup> | \$3,000- \$20,000  | As required by supplier, contractor or landlord | Before opening, as required by supplier.                       | Suppliers, contractor and/or Landlord                      |
| Furniture & Fixtures <sup>6</sup>                                   | \$2,000 - \$5,000  | As required by supplier                         | Before opening                                                 | Suppliers                                                  |
| Exterior Signage <sup>7</sup>                                       | \$1,000 - \$3,000  | As incurred                                     | Before opening                                                 | Suppliers                                                  |
| Vehicle <sup>8</sup>                                                | \$0 - \$15,000     | As incurred                                     | Before opening                                                 | Vendor                                                     |
| Business Licenses and Permits <sup>9</sup>                          | \$500 - \$1,000    | As required by government agencies              | Before opening, as required by government agencies             | Government Agencies                                        |
| Computer Systems <sup>10</sup>                                      | \$2,244 - \$2,994  | As required by suppliers                        | Before opening                                                 | Suppliers                                                  |
| Initial Inventory to Begin Operating <sup>11</sup>                  | \$5,000 - \$10,000 | Lump sum                                        | Before opening                                                 | Us                                                         |
| Equipment <sup>12</sup>                                             | \$1,000 - \$2,500  | As required by suppliers                        | Before opening                                                 | Suppliers                                                  |
| Office Equipment and Supplies                                       | \$500 – \$1,000    | As required by suppliers                        | Before opening                                                 | Suppliers                                                  |
| Professional Fees <sup>13</sup>                                     | \$1,000 - \$3,000  | As required by providers                        | As incurred                                                    | Attorney, Accountant, Other Professional Service Providers |
| Grand Opening Advertising Fee                                       | \$2,000            | Lump sum                                        | Prior to attendance at the Initial Management Training Program | Us                                                         |
| Supplemental Grand Opening Advertising Expenditures                 | \$3,000 - \$5,000  | As required by supplier                         | As required by supplier                                        | Suppliers                                                  |

| Type of Expenditure                                            | Amount                      | Method of Payment      | When Due                                                       | To Whom Payment is Made               |
|----------------------------------------------------------------|-----------------------------|------------------------|----------------------------------------------------------------|---------------------------------------|
| Marketing Platform Setup Fee <sup>14</sup>                     | \$5,000                     | Lump sum               | Upon signing the Franchise Agreement.                          | Us                                    |
| Insurance <sup>15</sup>                                        | \$1,500 - \$3,000           | As required by insurer | Before opening                                                 | Insurer                               |
| Operating Expenses / Additional Funds – 3 months <sup>16</sup> | \$17,500 - \$38,000         | As incurred            | Payroll weekly, other purchases according to agreed-upon terms | Employees, utilities, suppliers, etc. |
| <b>TOTAL</b>                                                   | <b>\$98,244 - \$174,494</b> |                        |                                                                |                                       |

<sup>1</sup> Please see Item 5, which provides information about incentive programs that may offer a discount on the Initial Franchise Fee.

<sup>2</sup> The cost of the Initial Training Program for up to three (3) individuals is included in the Initial Franchise Fee. The chart estimates the costs for transportation, lodging, and meals for your trainees. These incidental costs are not included in the Initial Franchise Fee. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation and living expenses. The duration of the training program is approximately 30 hours. This estimate does not include employee wages.

<sup>3</sup> We anticipate that you will rent the premises for your ALSET Auto outlet. This estimate includes a one (1) month deposit of rent for approximately 6,000 square foot premises located in a light industrial area. Rental rates may be more or less than this range depending on the location of your Franchised Business. You may also incur real estate broker fees, additional prepayments (e.g., first and/or last month's rent) or other costs, depending on the terms of your lease. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract.

<sup>4</sup> Utility providers set the amounts of the utility deposits. A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted. We have based our estimate on the experiences of our affiliate. The figures in the chart include deposits that may be refundable to you at a later time. In most cases, your lease will require you to pay electric, gas, water, and other utilities directly; however, some landlords cover some utility charges through operating fees.

<sup>5</sup> This cost of leasehold improvements depends upon the condition and size of the leasehold, the local cost of contract work and the location of the Franchised Business.

<sup>6</sup> The furniture and fixtures necessary for an ALSET Auto outlet includes reception area furniture, shelving, desk, chairs, cabinets, lighting, and other small fixtures. These estimates do not include freight or installs.



<sup>7</sup>This estimate is for the cost to produce and mount interior graphics and storefront signage on the exterior of the premises.

<sup>8</sup> You are required to own a Tesla<sup>®</sup> vehicle to use as a showcase of ALSET Auto products and services. The low end of the estimate assumes that you already own a Tesla<sup>®</sup> vehicle. The high end represents 3-month vehicle lease costs.

<sup>9</sup> This is an estimate of the costs of building permits, sign permits and a certificate of occupancy for your premises. Not all locations will require all of these permits, depending on the prior use of the premises and the requirements of local ordinances. This estimate also includes the cost of a local business license. The costs of permits and licenses will vary by location. Please contact your local governing agency for this information.

<sup>10</sup> We require you to purchase computer systems and software meeting our minimum specifications for use at your Franchised Business. This estimate includes an Apple laptop or desktop computer, Square tablet, license and installation cost of Acuity scheduling software, and license and installation cost of Accounting software of your choosing. You must also have Internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. We reserve the right to change your requirements for computer hardware and software at any time.

<sup>11</sup> This estimate is for the cost of the initial inventory sufficient for approximately three (3) months of operation. Your initial inventory will include paint protection film, ceramic coating, buckets, sponges, and micro-fiber towels.

<sup>12</sup> This estimate includes small equipment items such as buffers, squeegees, hand tools, LED light fixtures and a security system.

<sup>13</sup>You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval. This list is not exhaustive. This amount will vary greatly depending on your specific needs and location. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your franchise.

<sup>14</sup> You are required to pay us a Marketing Platform Setup Fee of \$5,000 for the establishment of a unique website, social media platforms, and Google AdWords on behalf of your Franchised Business.

<sup>15</sup> Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This includes comprehensive general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate; property and casualty insurance of at least \$1,000,000 or an amount to cover the full replacement value of your leasehold improvements, equipment, furniture, fixtures, and inventory, whichever is greater; business interruption insurance in an amount necessary to satisfy your obligations under your franchise agreement for at least twelve (12) months; statutory worker's compensation insurance in the limits required by state law; employer practices liability insurance in the amount of \$1,000,000; and comprehensive automobile liability insurance of at least a combined single limit for bodily injury and property damage of \$1,000,000. Each policy must be written by a responsible carrier or

carriers acceptable to us, and must name us and our respective officers, directors, partners, agents and employees as additional insured parties. Insurance costs and requirements may vary widely in different localities. The estimate represents the cost of the annual premium of the required minimum coverage. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

<sup>16</sup>This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three (3) months after commencing operations. This estimate includes such items as rent, utilities, internet service, initial payroll and payroll taxes, software fees, technology fees, local advertising expenses, repairs and maintenance, bank charges, music fees, initial staff recruiting expenses, and other miscellaneous items.

We relied upon the experience of our affiliate-owned ALSET Auto outlet to compile these estimates. You should review these figures carefully with a business advisor before making any decision to invest in the franchise. We estimate that a franchisee can expect to put additional cash into the business during at least the first three to six months, and sometimes longer.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

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

We have identified various suppliers, distributors and manufacturers of certain equipment, inventory, and services that your Franchised Business must use or provide which meets our standards and requirements. You must purchase designated inventory, equipment, your vehicle, payment processing hardware and software, from our approved suppliers and contractors or in accordance with our specifications.

You must purchase all paint protection films, ceramic coatings, detailing products, compounds, buckets, sponges, and micro-fiber towels required to open and operate your Franchised Business from us. We are the only approved supplier of these items. No franchisor officer owns an interest in any other supplier.

During our fiscal year that concluded on September 30, 2023, we did not receive any revenue from franchisee required purchases.

You must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This includes comprehensive general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate; property and casualty insurance of at least \$1,000,000 or an amount to cover the full replacement value of your leasehold improvements, equipment, furniture, fixtures, and inventory, whichever is greater; business interruption insurance in an amount necessary to satisfy your obligations under your franchise agreement for at least twelve (12) months; statutory worker's compensation insurance in the limits required by state law; employer practices liability insurance in the amount of \$1,000,000; and comprehensive automobile liability insurance of at least a combined single limit for bodily injury and property damage of \$1,000,000. Each policy must be written by a responsible carrier or carriers acceptable to us, and must name us and our respective officers, directors, partners, agents and employees as additional insured parties.

We approve suppliers after careful review of the quality of the products they provide to us and you. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meet our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. If we do not approve any request within 30 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If you request that we approve a proposed item or supplier, you must reimburse us our actual costs of inspection and testing.

We maintain written lists of approved items of equipment, fixtures, inventory and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees.

Other than payments from franchisee required purchases, we do not receive any other revenue, rebates, discounts or other material consideration from any suppliers based on your required purchases of products, supplies or equipment; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 35% of your costs to establish your Franchised Business and approximately 35% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

From time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees. As of the date of this Disclosure Document, we have not created any purchasing arrangements with suppliers.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

## **ITEM 9: FRANCHISEE'S OBLIGATIONS**

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

| Obligation                                                 | Section or Article in Franchise Agreement                                                                     | Item in Franchise Disclosure Document |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------------|
| a. Site Selection and Acquisition                          | 8.1                                                                                                           | 11                                    |
| b. Pre-Opening Purchase/Leases                             | 8.3, 12.1.1, 12.3.1                                                                                           | 7, 11                                 |
| c. Site Development & other Pre-Opening Requirements       | 8.2, 8.3, 12.1.1, 12.1.4                                                                                      | 11                                    |
| d. Initial and Ongoing Training                            | Article 7                                                                                                     | 11                                    |
| e. Opening                                                 | 8.2.4, 8.3, 8.4                                                                                               | 11                                    |
| f. Fees                                                    | 5.2.7, Article 6, 7.4, 7.5, 8.4, 11.3.3, 12.1.1, 12.3.7, 12.6, 12.7, 13.3, 15.6, 16.4, 18.1.4, 18.1.5, 19.1.5 | 5, 6, 7                               |
| g. Compliance with Standards and Policies/Operating Manual | Article 9, 12.1, 12.1.8, 19.1.1                                                                               | 8, 11                                 |
| h. Trademarks and Proprietary Information                  | 9.4, Article 14, 19.2, 19.3, 19.4                                                                             | 13, 14                                |
| i. Restrictions on Products/Services Offered               | 12.1.1, 12.1.5, 12.6                                                                                          | 8                                     |
| j. Warranty and Customer Service Requirements              | 12.1.11                                                                                                       | 16                                    |
| k. Territorial Development and Sales Quotas                | 13.2                                                                                                          | 12                                    |
| l. Ongoing Product/Service Purchases                       | 12.1.5, 12.3.5                                                                                                | 8                                     |
| m. Maintenance, Appearance and Remodeling Requirements     | Article 9, 12.1.2, 12.1.9                                                                                     | 11, 17                                |
| n. Insurance                                               | Article 15                                                                                                    | 7                                     |
| o. Advertising                                             | Article 13                                                                                                    | 6, 11                                 |
| p. Indemnification                                         | 15.4, 15.6, 16.3.6, 21.1                                                                                      | 14                                    |
| q. Owner's Participation, Management, Staffing             | 11.1, 11.3, 12.1.7                                                                                            | 11, 15                                |
| r. Records /Reports                                        | 12.2                                                                                                          | 6                                     |

| Obligation                      | Section or Article in Franchise Agreement | Item in Franchise Disclosure Document |
|---------------------------------|-------------------------------------------|---------------------------------------|
| s. Inspections and Audits       | 9.2, 12.1.8, 12.2.5                       | 6, 11                                 |
| t. Transfer                     | Article 16                                | 17                                    |
| u. Renewal                      | Article 5                                 | 17                                    |
| v. Post-Termination Obligations | Article 18                                | 17                                    |
| w. Non-Competition Covenants    | 19.5                                      | 17                                    |
| x. Dispute Resolution           | Article 20                                | 17                                    |
| y. Spouse Guaranty              | 11.3, Attachment 9                        | 15                                    |

## ITEM 10: FINANCING

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

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

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

### 1. Pre-Opening Obligations

Before you open your Franchised Business, we will:

- a. provide you with site selection guidelines and approve a location for your Franchised Business. Within sixty (60) days of signing the Franchise Agreement, you must submit a written request for approval to us describing the proposed location and providing other information about the site that we reasonably request. We will respond within ten (10) business days, either accepting or rejecting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and car dealerships and/or complementary businesses, traffic patterns, condition of premises, and demographic characteristics of the area. If you do not identify a site that meets our approval within sixty (60) days of signing the Franchise Agreement, we reserve the right to terminate the Franchise Agreement. We will not own and/or lease a site to you. You are responsible for negotiating a purchase or lease with the owner of a site we approve (Franchise Agreement, Sections 8.1.2, 10.1).
- b. provide you with criteria and specifications for the layout, design, ventilation requirements, and signage for your ALSET Auto outlet. You, your architect and your contractor are required to adapt our specifications for the construction of your premises

and obtain permits. We do not adapt plans or obtain permits for you (Franchise Agreement, Sections 8.2.2, 10.2).

- c. loan to you the ALSET Operations Manual, other manuals and training aids we designate, and give you access to on-line learning modules for use in the operation of your ALSET Auto Franchise, as they may be revised from time to time (Franchise Agreement, Section 10.3).
- d. provide a written list of equipment, signage, supplies and products that will be required to open the Franchised Business. We and our affiliates are not obligated to install any of these items; however, we will deliver to you the starter kit of certain proprietary products, equipment and marketing material prior to opening (Franchise Agreement, Section 10.5).
- e. provide initial training at our headquarters and/or affiliate-owned outlet. We reserve the right to designate an alternative location for the initial training. We will determine, in our sole discretion, whether you satisfactorily complete the initial training (Franchise Agreement, Sections 7.1, 7.2).
- f. provide a trainer at your premises for on-site training, supervision and assistance for up to three (3) days (Franchise Agreement, Section 7.3).
- g. provide you with standards for qualifications and training of your employees. We do not otherwise assist you with employee hiring and training (Franchise Agreement, Section 12.1.7).
- h. subject to applicable law, recommend minimum and maximum prices for products and services at your ALSET Auto outlet (Franchise Agreement, Section 12.5).
- i. set up your unique website, social media platforms, and Google AdWords on behalf of your Franchised Business (Franchise Agreement, Section 6.3).

## **2. Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is 90 to 150 days. Factors that may affect this time period include your ability to acquire financing or permits, build out of your location, have signs and equipment installed in your location, and completion of required training. You must find a site that we accept within 60 days of signing the Franchise Agreement, and in all cases you must commence operations within 90 days of the time we accept your site. If you have not opened your Franchised Business within 90 days after we approve your site or 150 days after you sign the Franchise Agreement, whichever is earlier, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time as extended, is a default of the Franchise Agreement. (Franchise Agreement, Sections 8.1, 8.3)

## **3. Obligations After Opening**

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs. If we require it, you must attend mandatory additional training offered by us for up to five

(5) days each year, and/or attend an annual business meeting or franchisee conference for up to three (3) days each year at a location we designate. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs (Franchise Agreement, Section 7.4).

- b. upon your request, or as we determine to be appropriate, provide corrective on-site training and assistance at your premises. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$500 per trainer per day of on-site training (Franchise Agreement, Sections 7.5. 10.9).
- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 7.6).
- e. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.6).
- f. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your service and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4).
- g. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Sections 9.1 and 10.7).
- h. subject to applicable law, recommend minimum and maximum prices for products and services at your ALSET Auto outlet (Franchise Agreement, Section 12.5).
- i. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within ten (10) business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within ten (10) business days, the proposed material and/or campaign is deemed "disapproved" (Franchise Agreement, Section 13.6).
- j. administer the System Brand Fund (Franchise Agreement, Section 10.10).

#### **4. Advertising**

##### **Local Advertising (Franchise Agreement, Sections 13.2 and 13.6)**

We require you to pay a Grand Opening Advertising Fee of Two Thousand Dollars (\$2,000.00) prior to your attendance at the Initial Management Training Program for promotional giveaways on behalf of your ALSET Auto outlet. We also require you to spend an additional minimum of Four



Thousand Five Hundred Dollars (\$4,500.00) on Local Advertising and promotional activities in the Territory within sixty (60) days of the opening of the Franchised Business to promote the opening of the Franchisee's Franchised Business. You must submit your initial marketing plans to us for our approval. We reserve the right to collect grand opening funds from you and implement promotions on your behalf up to six months following the opening of your ALSET Auto outlet. Additionally, we reserve the right to a 10% annual increase, on advertising for the Franchised Business in your Territory.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within ten (10) business days; however, if we do not respond within ten (10) business days, the proposed advertising or marketing material is deemed "disapproved".

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. If feasible, you may do cooperative advertising with other ALSET Auto franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, Instagram, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

#### **System-wide Brand Fund (Franchise Agreement, Section 13.3)**

You are required to contribute to the Brand Fund up to three percent (3%) of weekly gross revenues generated by your Franchised Business. Your Brand Fund contribution is collected at the same time and in the same manner as your Royalty. Each ALSET Auto outlet operated by our affiliate or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so.

The Brand Fund is administered by us. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Brand Fund contributions to pay our costs (including salaries of our personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Brand Fund.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include "Franchises Available" or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, Internet and direct-mail campaigns. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the Primary Marketing Area where your Franchised Business is located.



We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year ended September 30, 2021. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

#### **Regional Advertising** (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised ALSET Auto outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each ALSET Auto outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. Currently, there are no governing documents available for your review.

If we establish a regional advertising fund or cooperative, you must contribute amounts equal to your share of the total cost of cooperative advertising; provided, however, if a vote of the cooperative members increases the required cooperative contribution, you will pay the increased amount. We may require you to contribute up to one-half of your local advertising requirement to a regional advertising fund or cooperative.

#### **Advertising Council** (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance, and outlet profitability. We reserve the right to change or dissolve the council at any time.

#### **5. Computer Systems** (Franchise Agreement, Section 12.3)

You must purchase and use the point-of-sale system ("POS System") we specify, and have the latest versions of hardware, software and computer platforms to operate the POS System. The current requirement is a POS System developed by Square. The POS System performs a variety of functions, including inventory management, payment processing, and sales report generation.

You are required to use all software and applications that we specify and pay any subscription or access fees associated with them. You are required to have Acuity Scheduling System to manage and schedule appointments. You are also required to have bookkeeping software that is able to provide the financial information and reports in the format and using the accounting methods, that we require.

You will need a laptop, which must be capable of using our required software and applications.

The current cost of the required hardware is approximately \$299 for the Square POS touchscreen and \$750-\$1500 for a desktop or laptop Apple computer. All transactions processed through the Square POS System are subject to merchant processing fees, as determined by Square. The access fees for all required software and applications are approximately \$545 per month. Access fees are subject to increase by the software and applications providers.

We may in the future modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense.

The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet. We will also require you to provide us with access to you're your account with the accounting and bookkeeping software that you use. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer data stored in your customer management account.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System or any replacements thereto. We cannot estimate the cost of maintaining, updating and upgrading your computer hardware and software because it will depend on the make and model of your hardware, required upgrades to operate our current management and payment processing applications, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

## **6. Table of Contents of Operations Manual**

The Table of Contents of our ALSET Auto Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit D. The Operations Manual has a total of 227 pages.

## **7. Training (Franchise Agreement, Article 7)**

You (if the franchisee is an individual) or all of your owners (if the franchisee is a business entity), your general manager and your lead ceramic installer must complete our Initial Training Program, to our satisfaction, at least one (1) week before opening your Franchised Business. We will train you at our headquarters in Portland, Oregon, or another location we specify. There is no training fee for up to three individuals. If there are more than three individuals attending the Initial Training Program, we will charge you \$500 per additional person per day.

## TRAINING PROGRAM

| SUBJECT                    | HOURS OF CLASSROOM TRAINING | HOURS OF ON THE JOB TRAINING | LOCATION     |
|----------------------------|-----------------------------|------------------------------|--------------|
| Welcome/History/Philosophy | .5                          | 0                            | Portland, OR |
| Tour of the location       | .5                          | 0                            | Portland, OR |
| Pre-Opening Procedures     | 1.5                         | 0                            | Portland, OR |
| People Development         | 1.5                         | 0                            | Portland, OR |
| Marketing                  | 1.5                         | 2                            | Portland, OR |
| Sales Procedures           | 1.5                         | 2                            | Portland, OR |
| Daily Operating Procedures | 2                           | 8                            | Portland, OR |
| Service & Application      | 1                           | 8                            | Portland, OR |
| <b>Totals</b>              | 10                          | 20                           |              |

We periodically conduct our Initial Training Program throughout the year, as needed. Training is currently provided by Ian Prater, Loren Soderberg, and Sous Vorana.

Ian is our General Manager. He joined ALSET Auto with over 13 years of experience working in the automotive industry as Manager and Service Advisor, most recently at the largest Porsche dealer in Oregon.

Loren is our Paint Correction and Coating Specialist. Loren has over 14 years of experience in the automotive detailing industry as a paint correction/coating specialist and trainer.

Sous is our PPF and Vinyl Specialist. Prior to joining ALSET Auto, Sous owned and operated F30 Detailing, one of the most highly rated detailing shops in Oregon and Washington.

Our training materials consist of a handbook, printouts, and software. You will receive both classroom instruction and hands-on training. You may not commence operation of the Franchised Business unless and until we determine that you have successfully completed the Initial Management Training Program.

The cost of our instructors, training materials, and up to three (3) days of on-site training is included in the Initial Franchise Fee. You must pay for all of travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainee is \$500 per person per day.

If you do not complete our Initial Management Training Program to our satisfaction, we reserve the right to terminate the Franchise Agreement.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting. If we require it, you must attend mandatory training programs that we offer for up to five (5) days per year at a location we designate. We may also

require you to attend a national business meeting or annual convention for up to three (3) days per year, at a location we designate. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs.

## ITEM 12: TERRITORY

Under the Franchise Agreement, you have the right to establish and operate one (1) ALSET Auto outlet within a limited protected territory (the "Territory"). Your Territory is located in all or a portion of a listed town, city, or county, and is identified by a group of contiguous zip codes. The Territory is determined on an individual basis taking into account demographics and numbers of Tesla® owners, sales and service centers. Your Territory will have a minimum of 200,000 people, based on market analysis by a third-party mapping service. Your Territory will be defined and attached to your Franchise Agreement as Attachment 3. 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.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another ALSET Auto outlet or grant the right to anyone else to open an ALSET Auto outlet within the Territory. However, notwithstanding this limited protection right we grant to you, we reserve the right to offer in the Territory (i) other products or services not offered under the Marks, (ii) other automotive refinishing concepts under the Marks or other trademarks, (iii) licensing or sale of our products and systems for use by others, including other automotive refinishing businesses, through private labelling arrangements, and to marine, aviation and vinyl industries and (iv) products or services through alternative distribution channels, as discussed below.

You are required to meet the following minimum performance requirements that are set forth in Attachment 4 of the Franchise Agreement:

| Period                                             | Minimum Annual Gross Revenues |
|----------------------------------------------------|-------------------------------|
| First Calendar Year                                | No Minimum                    |
| Second Calendar Year                               | \$200,000                     |
| Third Calendar Year                                | \$400,000                     |
| Fourth Calendar Year and Successive Calendar Years | \$500,000                     |

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. If we give our consent, we will charge you a relocation fee equal to twenty-five percent (25%) of the then-current Initial Franchise Fee. The conditions

under which we may allow you to relocate include the following: loss of your premises not due to your default, demographics of the surrounding area, proximity to other ALSET Auto outlets, lease requirements, traffic patterns, vehicular access, proximity to major roads and car dealerships, and overall suitability. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we may terminate the Franchise Agreement. You must continue to operate at your original premises until construction of the new site is complete; however, if you cannot operate at the original premises, you must continue to pay us a minimum Royalty and Brand Fund contribution equal to the average paid during the four (4) calendar quarters immediately preceding the loss of your premises.

The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises within the Territory or contiguous territories. We may, but have no obligation to, consider granting to you the right to establish additional ALSET Auto outlets under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open another ALSET Franchise in an area and at a location we approve.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate ALSET Auto outlets outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Mark, including a product or service similar to those you will sell at your ALSET Auto outlet.

We and our affiliates may sell products and services under the Mark within or outside the Territory through any method of distribution other than a dedicated ALSET Auto outlet location, such as distribution through retail outlets, including but not limited to, automotive dealerships, automotive body shops, and the Internet ("Alternative Distribution Channels"). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

The Franchise Agreement does not grant you any right to participate in franchises, licensing programs or other business proposals for the sale and distribution of ALSET Auto products or services through Alternate Distribution Channels.

You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will provide a website to you, which you may use for marketing and promotional purposes. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may collaterally extend beyond your Territory.

### **ITEM 13: TRADEMARKS**

Our owner Philip Bunting is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of an ALSET Auto outlet in accordance with the System. The Franchise Agreement will license to you the right to operate your ALSET Auto outlet under the ALSET Auto service marks, as described below ("Principal Marks"):

| Mark       | Registration Number | Registration Date | Register  |
|------------|---------------------|-------------------|-----------|
| Alset Auto | 6281160             | March 2, 2021     | Principal |

We have filed all required affidavits.

We also license to you the following Principal Mark:



Please note that this mark displayed above and on the cover page of this document is a stylized version of our registered trademark, however the image is not registered with the USPTO as the mark in the table is. With regard to this Mark only, we do not have a federal registration for this trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Marks or other Marks. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Marks or other Marks. We have the right to control any administrative proceedings or litigation involving the Principal Marks or other Marks licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including any Principal Mark, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest our right to the Principal Marks or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Mark or other Marks.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

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

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs and other



written materials. We also claim copyrights and other proprietary rights in our Manual and website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We reserve the right to modify or discontinue using the subject matter covered by a patent or copyright. In such event, we may require you, at your expense, to modify or discontinue using the subject matter in the operation of your Franchised Business.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Attachment 11).

## **ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement does not require that you personally supervise your ALSET Auto outlet, although we recommend it. Your ALSET Auto outlet must be directly supervised by a general manager. Your general manager can either be you or someone appointed by you who is acceptable to us. Your general manager must successfully complete our Initial Management Training Program and all other training courses we require. Your general manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your general manager is not required to have an equity interest in the franchisee entity. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 11. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 9.

You shall not open, operate, sublease, or conduct any other business other than the your ALSET Auto outlet from your site location.

## **ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL**

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved.

You may not use our Principal Mark or other trademarks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business (other than an additional ALSET Auto outlet) that competes with your Franchised Business, with us or our affiliates, or with ALSET Auto outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes.

You are required to comply at all times with the Franchisor's warranty programs, including but not limited to the issuance of warranty cards to customers and registration of serviced vehicle through platforms maintained by Franchisor. Franchisor may change the terms of its warranty programs at any time, in Franchisor's sole discretion, and Franchisee shall comply with such programs at Franchisee's sole cost and expense, as revised.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory. You may only engage in providing products and services to end-consumers. You are prohibited from selling



products from anywhere other than your ALSET Auto outlet, on the Internet, or to dealers and/or distributors for subsequent re-sale.

## ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

|    | Provision                                      | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----|------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. | Length of the franchise term                   | Art. 4                         | Term is five (5) years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| b. | Renewal                                        | Art. 5                         | If you are in good standing as defined below, you can sign a successor agreement for at least one (1) additional term of five (5) years, unless we have determined, in our sole discretion, to withdraw from your Territory.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| c. | Requirements for franchisee to renew or extend | Sections 5.2 and 5.3           | Be in full compliance, have no more than three (3) events of default during the term of the Franchised Agreement; provide written notice to us at least one hundred twenty (120) days before the end of the term and return documents within twenty (20) days; execute a new franchise agreement; pay us a successor agreement fee of \$3,000; continue to maintain your location and vehicle, current trade dress and other standards; execute a general release; comply with then-current qualifications and training requirements; including completion of additional training.<br>You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement. |
| d. | Termination by franchisee                      | None                           | The Franchise Agreement does not give you any right to terminate. You may seek termination upon any grounds permitted by law.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| e. | Termination by franchisor without cause        | Section 16.7                   | The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| f. | Termination by franchisor with cause           | Article 17                     | We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| g. | "Cause" defined – curable defaults             | Section 17.3                   | You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|    | Provision                              | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----|----------------------------------------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| h. | "Cause" defined - non-curable defaults | Sections 17.1 and 17.2         | <p>The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction, obtain permits and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 120 days after a casualty, as may be extended by us; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-month period; fail to meet Minimum Performance Standards; or terminate the Franchise Agreement without cause.</p> |

|    | <b>Provision</b>                                     | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i. | Franchisee's obligations on termination/ non-renewal | Article 18                            | Upon termination, you must: cease operations; cease to identify yourself as an ALSET Auto franchisee; cease to use our trademarks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media accounts and the lease for the location.                             |
| j. | Assignment of contract by franchisor                 | Section 16.1.1                        | No restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| k. | "Transfer" by franchisee defined                     | Section 16.3                          | Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| l. | Franchisor approval of transfer by franchisee        | Sections 16.2 and 16.3                | No transfer is allowed without our consent, which we will not unreasonably withhold.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| m. | Conditions for franchisor approval of a transfer     | Sections 16.3 and 16.4                | Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully complete our Initial Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release in the form of Attachment 5 to the Franchise Agreement; you shall subordinate any claims you have against the transferee to us; you will indemnify us for a period of 3 years following the transfer; our approval of the material terms and conditions of the transfer; payment of a transfer fee equal to 75% of the then-current initial franchise fee or 50% of the then-current initial franchise fee for transfer to an existing franchisee in good standing |

|    | <b>Provision</b>                                                       | <b>Section in Franchise Agreement</b> | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|------------------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| n. | Franchisor's right of first refusal to acquire franchisee's business   | Section 16.6                          | You must promptly notify us of any written offer to purchase your Franchise. We have 60 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.                                                                                                                                |
| o. | Franchisor's option to purchase franchisee's business                  | Section 18.2                          | Upon termination of the Franchise Agreement, we have the option to purchase your equipment, furniture, fixtures, signs, advertising materials, supplies, and inventory at your cost or fair market value, whichever is less.                                                                                                                                                                                                                                                                                                                                                                                     |
| p. | Death or disability of franchisee                                      | Sections 16.3, 16.4 and 16.7          | The Franchise Agreement will terminate automatically upon your death or permanent disability, unless prohibited by law and the Franchise is transferred within 6 months to a replacement franchisee that we approve.                                                                                                                                                                                                                                                                                                                                                                                             |
| q. | Non-competition covenants during the term of the franchise             | Section 19.5.1                        | You may not: divert, or attempt to divert, customers of any ALSET Auto outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.                                                                                                                                                                                                        |
| r. | Non-competition covenants after the franchise is terminated or expires | Section 19.5.2                        | For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any ALSET Auto outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within forty(40) miles of your former ALSET Auto outlet location or any other ALSET Auto outlet location (franchised or company owned); do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees. |
| s. | Modification of the agreement                                          | Sections 9.4, 14.6, 19.1.4 and 22.4   | Any modifications must be in writing and agreed to by all parties. We may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.                                                                                                                                                                                                                                                                                                                         |

|    | Provision                                      | Section in Franchise Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| t. | Integration/merger clause                      | Section 21.4                   | Only the terms of the Franchise Agreement and other related written agreements, such as any attachments to the Franchise Agreement or addenda, are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments. |
| u. | Dispute resolution by arbitration or mediation | Sections 20.1 and 20.2         | At our option, claims that are not resolved internally may be submitted to non-binding mediation only at our headquarters located in Portland, Oregon.                                                                                                                                                                                                                                                                                                                                                               |
| v. | Choice of forum                                | Section 20.3                   | Litigation takes place in Oregon (subject to applicable state law)                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| w. | Choice of law                                  | Section 20.3                   | Oregon law applies (subject to applicable state law)                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

#### ITEM 18: PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

#### ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

This Item contains a historic financial performance representation of our affiliate-owned outlets from October 1, 2022 through September 30, 2023. These outlets are based in Portland, OR and Seattle, WA and are operated by our affiliate, ALSET, LLC. The results of our affiliate-owned outlet in Redmond, Washington are not included because it was not operational for the full reporting period. Our affiliate-owned outlets do not pay the royalty fees or brand-fund contributions that franchised outlets are required to pay.

This Item also contains a historic financial performance representation of our franchisee-owned outlet in Dallas, TX. Other franchisee-owned outlets have been omitted as they have not been operational for the full reporting period.

# Financial Performance<sup>1</sup> October 2022 – September 2023

## Corporate Outlet 1 – Portland, OR<sup>6</sup>

|                                    | October 22   | November 22 | December 22 | January 23   | February 23  | March 23     | April 23    | May 23      | June 23      | July 23      | August 23    | September 23 | Total          |
|------------------------------------|--------------|-------------|-------------|--------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|----------------|
| <b>Gross Revenue</b>               | \$111,892.00 | \$93,779.00 | \$92,975.00 | \$118,497.00 | \$108,077.00 | \$109,591.00 | \$85,068.00 | \$97,613.00 | \$125,902.00 | \$107,326.00 | \$154,505.00 | \$102,027.00 | \$1,307,253.00 |
| <b># of Vehicles Serviced</b>      | 44           | 40          | 40          | 54           | 32           | 33           | 31          | 35          | 34           | 40           | 54           | 43           | 480            |
| <b>Average Revenue per Vehicle</b> | \$2,543.00   | \$2,345.00  | \$2,324.00  | \$2,194.00   | \$3,377.00   | \$3,321.00   | \$2,744.00  | \$2,789.00  | \$3,703.00   | \$2,683.00   | \$2,861.00   | \$2,373.00   | \$33,257.00    |
| <b>Costs</b>                       |              |             |             |              |              |              |             |             |              |              |              |              |                |
| <b>Labor</b>                       | \$28,436.00  | \$28,934.00 | \$28,438.00 | \$29,118.00  | \$28,403.00  | \$28,981.00  | \$28,151.00 | \$28,742.00 | \$29,580.00  | \$28,638.00  | \$34,728.00  | \$29,503.00  | \$347,652.00   |
| <b>Materials</b>                   | \$25,323.00  | \$24,377.00 | \$22,981.00 | \$26,998.00  | \$24,893.00  | \$24,422.00  | \$19,372.00 | \$23,458.00 | \$28,249.00  | \$26,716.00  | \$32,484.00  | \$25,883.00  | \$305,156.00   |
| <b>Gross Profit</b>                | \$58,133.00  | \$40,468.00 | \$41,556.00 | \$62,381.00  | \$54,781.00  | \$56,188.00  | \$37,545.00 | \$45,413.00 | \$68,073.00  | \$51,972.00  | \$87,293.00  | \$46,641.00  | \$650,444.00   |

## Corporate Outlet 2 – Seattle WA<sup>6</sup>

|                                    | October 22  | November 22 | December 22 ** | January 23  | February 23 | March 23    | April 23**  | May 23      | June 23     | July 23      | August 23    | September 23 | Total        |
|------------------------------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| <b>Gross Revenue<sup>2</sup></b>   | \$75,501.00 | \$64,882.00 | \$43,419.00    | \$79,043.00 | \$78,743.00 | \$72,987.00 | \$21,648.00 | \$98,102.00 | \$75,841.00 | \$102,749.00 | \$103,798.00 | \$85,021.00  | \$901,734.00 |
| <b># of Vehicles Serviced</b>      | 24          | 18          | 10             | 24          | 26          | 21          | 7           | 29          | 28          | 30           | 33           | 23           | 273          |
| <b>Average Revenue per Vehicle</b> | \$3,146.00  | \$3,605.00  | \$4,342.00     | \$3,293.00  | \$3,029.00  | \$3,476.00  | \$3,093.00  | \$3,383.00  | \$2,709.00  | \$3,425.00   | \$3,145.00   | \$3,697.00   | \$40,343.00  |
| <b>Costs</b>                       |             |             |                |             |             |             |             |             |             |              |              |              |              |
| <b>Labor<sup>3</sup></b>           | \$23,621.00 | \$23,301.00 | \$22,912.00    | \$23,679.00 | \$23,772.00 | \$23,511.00 | \$22,912.00 | \$24,879.00 | \$23,328.00 | \$25,138.00  | \$24,942.00  | \$23,841.00  | \$285,836.00 |
| <b>Materials<sup>5</sup></b>       | \$16,610.00 | \$14,923.00 | \$9,252.00     | \$17,389.00 | \$17,796.00 | \$16,012.00 | \$4,963.00  | \$21,382.00 | \$16,885.00 | \$22,705.00  | \$23,249.00  | \$18,604.00  | \$199,770.00 |
| <b>Gross Profit</b>                | \$35,270.00 | \$26,658.00 | \$11,255.00    | \$37,975.00 | \$37,175.00 | \$33,464.00 | -\$6,227.00 | \$51,841.00 | \$35,628.00 | \$54,906.00  | \$55,607.00  | \$42,576.00  | \$416,128.00 |

## Franchised Outlet 1 – Dallas, TX

|                                    | October 22  | November 22 | December 22 | January 23  | February 23 | March 23    | April 23    | May 23      | June 23     | July 23     | August 23   | September 23 | Total        |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| <b>Gross Revenue<sup>2</sup></b>   | \$46,355.00 | \$44,978.00 | \$51,659.00 | \$74,749.00 | \$75,316.00 | \$57,714.00 | \$64,730.00 | \$90,728.00 | \$88,244.00 | \$79,173.00 | \$73,796.00 | \$52,949.00  | \$800,391.00 |
| <b># of Vehicles Serviced</b>      | 15          | 18          | 17          | 27          | 33          | 20          | 19          | 37          | 33          | 35          | 37          | 23           | 314          |
| <b>Average Revenue per Vehicle</b> | \$3,090.00  | \$2,499.00  | \$3,039.00  | \$2,768.00  | \$2,282.00  | \$2,886.00  | \$3,407.00  | \$2,452.00  | \$2,674.00  | \$2,262.00  | \$1,994.00  | \$2,302.00   | \$31,655.00  |
| <b>Costs</b>                       |             |             |             |             |             |             |             |             |             |             |             |              |              |
| <b>Labor<sup>3</sup></b>           | \$19,583.00 | \$19,342.00 | \$19,791.00 | \$20,038.00 | \$20,170.00 | \$19,963.00 | \$20,422.00 | \$21,748.00 | \$22,372.00 | \$21,256.00 | \$21,314.00 | \$20,103.00  | \$246,102.00 |
| <b>Materials<sup>4</sup></b>       | \$10,198.00 | \$9,895.16  | \$11,465.00 | \$16,344.00 | \$15,128.00 | \$12,626.00 | \$14,662.00 | \$19,748.00 | \$19,324.00 | \$17,117.00 | \$16,258.00 | \$11,253.00  | \$174,018.16 |
| <b>Gross Profit</b>                | \$16,574.00 | \$15,740.84 | \$20,403.00 | \$38,367.00 | \$40,018.00 | \$25,125.00 | \$29,646.00 | \$49,232.00 | \$46,548.00 | \$40,800.00 | \$36,224.00 | \$21,593.00  | \$380,270.84 |

| Outlet       | Average      | Median       | High         | Low         |
|--------------|--------------|--------------|--------------|-------------|
| Portland, OR | \$108,937.67 | \$104,676.50 | \$154,505.00 | \$85,068.00 |
| Seattle, WA  | \$75,144.50  | \$75,671.00  | \$103,798.00 | \$21,648.00 |
| Dallas, TX   | \$66,699.25  | \$61,222.00  | \$90,728.00  | \$44,978.00 |

<sup>1</sup> The figures in the above tables have not been audited.

<sup>2</sup> Revenues consist of the application of ceramic coatings, paint protection film, window tint and vinyl.

<sup>3</sup> Labor costs include a combination of W2 and 1099 wages. We work with two contractors on a per car basis. Service duration is two to five business days for core services (ceramic and/or paint protection film) and one to two days for smaller services such as tint and chrome delete. Our affiliate employs one full time paint correction/coating specialist and one full-time film installer. As of July 1, 2020, our affiliate hired a full-time manager. Our affiliate is open Monday through Friday from 9am to 5pm.

<sup>4</sup> Our affiliate's location is 4,500 square feet, consisting of 1,500 of office space and 3,000 square feet of garage space.

<sup>5</sup> Our franchisees pay more for materials and product costs than our affiliate-owned outlet. The figures in the table reflect what the cost would be if our affiliate-owned outlet paid the same rate as franchisees for the materials used in that particular month.

<sup>6</sup> Our affiliates do not pay royalty fees or brand fund contributions, which you are required to pay. This Table does not include other expenses which you will incur in the operation of your Alset Auto outlet, such as local advertising costs, technology fees, and ongoing inventory purchases. Please see Item 6 for information on fees.

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you'll earn as much.**

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Phil Bunting, 135 NE 12<sup>th</sup> Avenue, Portland, Oregon, 97232, or (800) 404-4107, the Federal Trade Commission, and the appropriate state regulatory agencies.

**[Remainder of Page Intentionally Blank]**



**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION****Table No. 1****System-wide Outlet Summary  
For Years 2021 to 2023**

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the<br>Year | Column 4<br>Outlets at the<br>End of the Year | Column 5<br>Net Change |
|-------------------------|------------------|----------------------------------------------------|-----------------------------------------------|------------------------|
| Franchised              | 2021             | 0                                                  | 1                                             | +1                     |
|                         | 2022             | 1                                                  | 2                                             | +1                     |
|                         | 2023             | 2                                                  | 9                                             | +7                     |
| Company –<br>Owned*     | 2021             | 1                                                  | 2                                             | +1                     |
|                         | 2022             | 2                                                  | 2                                             | 0                      |
|                         | 2023             | 2                                                  | 2                                             | 0                      |
| Total<br>Outlets        | 2021             | 1                                                  | 3                                             | +2                     |
|                         | 2022             | 3                                                  | 4                                             | +1                     |
|                         | 2023             | 4                                                  | 11                                            | +7                     |

\* Company-owned stores are operated by affiliated entities.

**Table No. 2****Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2021 to 2023**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| None              | 2021             | 0                               |
|                   | 2022             | 0                               |
|                   | 2023             | 0                               |
| Total             | 2021             | 0                               |
|                   | 2022             | 0                               |
|                   | 2023             | 0                               |

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

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets<br>at Start<br>of Year | Column 4<br>Outlets<br>Opened | Column 5<br>Terminations | Column 6<br>Non-<br>renewals | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>-<br>Other<br>Reasons | Column 9<br>Outlets<br>at End<br>of the<br>Year |
|-------------------|------------------|--------------------------------------------|-------------------------------|--------------------------|------------------------------|--------------------------------------------|-----------------------------------------------------------|-------------------------------------------------|
| Texas             | 2021             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
|                   | 2022             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
|                   | 2023             | 1                                          | 2                             | 0                        | 0                            | 0                                          | 0                                                         | 3                                               |
| Arizona           | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 1                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
|                   | 2023             | 1                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 2                                               |
| Florida           | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2023             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
| Nevada            | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2023             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
| California        | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2023             | 0                                          | 4                             | 0                        | 0                            | 0                                          | 0                                                         | 4                                               |
| Georgia           | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2023             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
| North<br>Carolina | 2021             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2022             | 0                                          | 0                             | 0                        | 0                            | 0                                          | 0                                                         | 0                                               |
|                   | 2023             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
| Total             | 2021             | 0                                          | 1                             | 0                        | 0                            | 0                                          | 0                                                         | 1                                               |
|                   | 2022             | 1                                          | 2                             | 0                        | 0                            | 0                                          | 0                                                         | 2                                               |
|                   | 2023             | 2                                          | 7                             | 0                        | 0                            | 0                                          | 0                                                         | 10                                              |

**Table No. 4****Status of Company Owned\* Outlets  
For Years 2021 to 2023**

| Col. 1<br>State | Col. 2<br>Year | Col. 3<br>Outlets at<br>Start of<br>Year | Col. 4<br>Outlets<br>Opened | Col. 5<br>Outlets<br>Reacquired<br>from<br>Franchisees | Col. 6<br>Outlets<br>Closed | Col. 7<br>Outlets Sold<br>to<br>Franchisees | Col. 8<br>Outlets at<br>End of the<br>Year |
|-----------------|----------------|------------------------------------------|-----------------------------|--------------------------------------------------------|-----------------------------|---------------------------------------------|--------------------------------------------|
| Oregon          | 2021           | 1                                        | 0                           | 0                                                      | 0                           | 0                                           | 1                                          |
|                 | 2022           | 1                                        | 0                           | 0                                                      | 0                           | 0                                           | 1                                          |
|                 | 2023           | 1                                        | 0                           | 0                                                      | 0                           | 0                                           | 1                                          |
| Washington      | 2021           | 0                                        | 1                           | 0                                                      | 0                           | 0                                           | 1                                          |
|                 | 2022           | 1                                        | 0                           | 0                                                      | 0                           | 0                                           | 1                                          |
|                 | 2023           | 1                                        | 0                           | 0                                                      | 0                           | 0                                           | 1                                          |
| Total           | 2021           | 1                                        | 1                           | 0                                                      | 0                           | 0                                           | 2                                          |
|                 | 2022           | 2                                        | 0                           | 0                                                      | 0                           | 0                                           | 2                                          |
|                 | 2023           | 2                                        | 0                           | 0                                                      | 0                           | 0                                           | 2                                          |

\* Company-owned stores are operated by affiliated entities.

**Table No. 5  
Projected Openings as of September 30, 2023**

| Column 1<br>State | Column 2<br>Franchise<br>Agreements<br>Signed But Outlet<br>Not Opened | Column 3<br>Projected New<br>Franchised Outlets<br>in the Next Fiscal<br>Year | Column 4<br>Projected New<br>Company Owned<br>Outlets in the Next<br>Fiscal Year |
|-------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Arizona           | 0                                                                      | 0                                                                             | 0                                                                                |
| California        | 0                                                                      | 3                                                                             | 0                                                                                |
| Colorado          | 0                                                                      | 1                                                                             | 0                                                                                |
| Nevada            | 0                                                                      | 1                                                                             | 0                                                                                |
| Texas             | 0                                                                      | 1                                                                             | 0                                                                                |
| Total             | 0                                                                      | 6                                                                             | 0                                                                                |

\* Company-owned stores are operated by affiliated entities.

Exhibit E lists the location of each ALSET Auto franchised outlet in our System and each franchisee during our last fiscal year who has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisee has signed confidentiality clauses during the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

## **ITEM 21: FINANCIAL STATEMENTS**

Attached to this Disclosure Document as Exhibit C are our audited financial statements as of September 30, 2021, September 30, 2022 and September 30, 2023

Our fiscal year end is September 30.

## **ITEM 22: CONTRACTS**

Copies of all proposed agreements regarding the franchise offering are included in Exhibit B. These include our Franchise Agreement and all attachments to it (Marks, Territory, Minimum Performance Standards, General Release, ACH Authorization, Conditional Assignment of Lease, Statement of Ownership Interests in Franchisee, Spouse Guaranty, Telephone, Internet, and Social Media Listing Assignment Agreements, and Confidentiality and Non-Compete Agreement).

## **ITEM 23: RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit G. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Marcus Brown, 135 NE 12<sup>th</sup> Avenue, Portland, Oregon 97232.

## EXHIBIT A

### AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

| State       | State Agency                                                                                                                                                                                                                                    | Agent for Service of Process                                                                         |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| CALIFORNIA  | Commissioner of the Department of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013<br>(213) 576-7505<br>Toll-free (866-275-2677) | Commissioner of the Department of Financial Protection and Innovation                                |
| CONNECTICUT | State of Connecticut<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, CT 06103-1800<br>(860) 240-8230                                                                              | Banking Commissioner                                                                                 |
| HAWAII      | Business Registration Division<br>Department of Commerce and Consumer Affairs<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813<br>(808) 586-2722                                                                                          | Commissioner of Securities of the State of Hawaii                                                    |
| ILLINOIS    | Office of Attorney General<br>Franchise Division<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465                                                                                                                          | Illinois Attorney General                                                                            |
| INDIANA     | Indiana Secretary of State<br>Securities Division<br>302 West Washington St., Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681                                                                                                            | Indiana Secretary of State<br>201 State House<br>Indianapolis, IN 46204                              |
| MARYLAND    | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360                                                                                                                    | Maryland Securities Commissioner<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 |
| MICHIGAN    | Michigan Department of Attorney General<br>Consumer Protection Division<br>Antitrust and Franchise Unit<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117                                                                              | Michigan Department of Commerce, Corporations and Securities Bureau                                  |

| State        | State Agency                                                                                                                                                            | Agent for Service of Process                                                                                                                                                           |
|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MINNESOTA    | Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                                               | Minnesota Commissioner of Commerce                                                                                                                                                     |
| NEW YORK     | Office of the New York State Attorney General<br>Investor Protection Bureau<br>28 Liberty St. 21st FL<br>New York, NY 10005<br>212-416-8222 Phone<br>(212) 416-6042 Fax | Attention: New York Secretary of State<br>New York Department of State<br>One Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, NY 11231-0001<br>(518) 473-2492 |
| NORTH DAKOTA | North Dakota Securities Department<br>600 East Boulevard, 5 <sup>th</sup> Floor<br>Bismarck, ND 58505-0510<br>(701) 328-4712                                            | North Dakota Securities Commissioner                                                                                                                                                   |
| OREGON       | Department of Consumer and Business Services<br>Division of Finance and Corporate Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4387                | Director of the Department of Consumer and Business Services                                                                                                                           |
| RHODE ISLAND | Department of Business Regulation<br>Division of Securities<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, RI 02920<br>(401) 462-9585                               | Director of Rhode Island Department of Business Regulation                                                                                                                             |
| SOUTH DAKOTA | Division of Insurance<br>Securities Regulation<br>124 South Euclid, Suite 104<br>Pierre, SD 57501<br>(605) 773-3563                                                     | Director of Insurance-Securities Regulation                                                                                                                                            |
| VIRGINIA     | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 9 <sup>th</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9051   | Clerk of State Corporation Commission<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, VA 23219<br>(804) 371-9733                                                          |
| WASHINGTON   | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507-9033<br>(360) 902-8760                                                | Director of Washington Financial Institutions<br>Securities Division<br>150 Israel Road, SW<br>Tumwater, WA 98501                                                                      |
| WISCONSIN    | Wisconsin Securities Commissioner<br>Securities and Franchise Registration<br>345 W. Washington Avenue<br>Madison, WI 53703<br>(608) 266-8559                           | Commissioner of Securities of Wisconsin                                                                                                                                                |

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



ALSET AUTO DEVELOPMENT LLC  
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**ATTACHMENTS:**

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ATTACHMENT 2: TERRITORY

ATTACHMENT 3: MINIMUM PERFORMANCE STANDARDS

ATTACHMENT 4: GENERAL RELEASE

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ATTACHMENT 6: CONDITIONAL ASSIGNMENT OF LEASE

ATTACHMENT 7: STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE/FRANCHISEE  
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ATTACHMENT 8: SPOUSAL GUARANTY

ATTACHMENT 9: INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT  
AGREEMENT

ATTACHMENT 10: CONFIDENTIALITY AND NON-COMPETE AGREEMENT

## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is being entered into this day of \_\_\_\_\_, (the “Effective Date”) by and between Alset Auto Development LLC, an Oregon limited liability company with its principal place of business at 135 NE 12<sup>th</sup> Avenue, Portland, Oregon 97232 (herein “Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_’s principals \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and Principal(s) shall be collectively referred to in this Agreement as the “Franchisee”.

## RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a unique and distinctive automotive paint protection business using Franchisor’s proprietary practices and procedures, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive, décor, fixtures and furnishings, operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks ALSET Auto service mark, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

**1 RECITATIONS.** The Recitations set out above form part of this Agreement.

**2 GRANT OF FRANCHISE.** Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate an ALSET Auto franchise (the “Franchise” or “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only to a single location within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

**3 TERRITORY**

3.1 Territory. This Agreement grants Franchisee the right to operate the Franchised Business at a single location within the Territory. Franchisor agrees that Franchisor will not, and Franchisor will not permit any other ALSET Auto franchisees, to operate an automotive paint protection business in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee (i) meets the minimum performance standards (“Minimum Performance Standards”) set forth in Attachment 3 and (ii) is not in default under this Agreement or this Agreement has not expired or been terminated. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise ALSET Auto outlets around, bordering and adjacent to the Territory. Franchisee will be providing services from a single location that will be determined by Franchisee with Franchisor’s prior written approval, which may be withheld or denied in Franchisor’s sole discretion. Franchisee is prohibited from selling and soliciting customers through alternative distribution channels as more fully specified herein.

3.2 Minimum Performance Standards. Franchisee acknowledges the importance of actively developing the Territory to achieve maximum revenues, and, to that end, Franchisee agrees to use best efforts to market Franchisee’s Franchised Business to meet the Minimum Performance Standards. Franchisee’s failure to meet the Minimum Performance Standards is a material default of this Agreement, and upon such default, Franchisor is entitled to either (i) provide Franchisee with remedial training in accordance with Section 7.5 hereof, (ii) reduce the size of the Territory (iii) terminate the exclusivity rights to the Territory granted to Franchisee in Section 3.1 hereof, and/or (iv) terminate this Agreement.

3.3 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights to offer (i) other products or services not offered under the Marks, (ii) other automotive refinishing concepts under the Marks or other trademarks, (iii) licensing or sale of Franchisor’s products and systems for use by others, including other automotive refinishing businesses, through private labeling arrangements, and to other industries, such as marine and aviation

and (iv) products or services through any channel in the Territory other than a dedicated ALSET Auto location, such as distribution through retail outlets, including but not limited to, automotive dealerships, automotive body shops, and the Internet ("Alternate Distribution Channels"). Franchisee will receive no compensation for Franchisor's sales through Alternate Distribution Channels made within the Territory. Franchisee agrees that such implementation of Franchisor's rights pursuant to this Section 3.3 is deemed not to impair or injure Franchisee's rights pursuant to Section 2 hereof.

4. **TERM.** Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above, and terminate on the date that is five (5) years following the Opening Date, as defined in Section 8 hereof (the "Term").
5. **RENEWAL OPTION.** Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Renewal Franchise Agreement") for at least one (1) additional term of five (5) years. The term of such Renewal Franchise Agreement shall commence upon the date of expiration of the Initial Term. Franchisee shall be charged a renewal fee of Three Thousand (\$3,000.00) ("Renewal Fee").
  - 5.1 Form and Manner of Renewal. If Franchisee desires to exercise Franchisee's option to enter into a Renewal Franchise Agreement, it shall be done in the following manner:
    - 5.1.1 Not less than one hundred twenty (120) days prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement).
    - 5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within twenty (20) days after receipt by Franchisee of a copy of Franchisor's then current Disclosure Document.
    - 5.1.3 The Renewal Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.
    - 5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Renewal Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.

- 5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.
- 5.2 Conditions of Renewal. Franchisee's right to enter into a Renewal Franchise Agreement is conditioned upon the following:
- 5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.
- 5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, whether or not such defaults were cured.
- 5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.
- 5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Renewal Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business at a new location.
- 5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against Alset Auto Development LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached hereto as Attachment 4. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.
- 5.2.6 Franchisee performs such remodeling, repairs, replacements and redecoration as Franchisor may require in order to cause the Franchised Business premises, vehicle, equipment, fixtures, furnishings and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the renewal date.
- 5.2.7 Franchisee shall pay the required Renewal Fee and sign the Renewal Franchise Agreement.
- 5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new ALSET Auto franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then current form of Renewal Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.2 hereof that Franchisee desires to renew, Franchisor may, in Franchisor's

sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate renewal term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Renewal Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.

- 5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to renew this Franchise as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

## 6. FEES

- 6.1 Initial Franchise Fees and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Forty Five Thousand Dollars (\$45,000.00) (the "Initial Franchise Fee"). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee's execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, throughout the Term, a royalty fee equal to eight percent (8%) of the weekly Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Revenue" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Revenue shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, and (iii) properly documented promotional discounts (i.e. coupons). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card.

6.1.3 Gross Revenue Reports. Franchisee shall, on Tuesday following the close of each calendar week (Monday through Sunday), furnish Franchisor with a report showing Franchisee's Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during such period (the "Gross Revenue Report"). The Gross Revenue Report shall be in such form and shall contain such information as

Franchisor may from time to time prescribe. Franchisor is entitled to establish a point of sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchised Business. At Franchisor's option, Franchisee shall submit the Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.

- 6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee and the Brand Fund Contribution, as defined and more particularly described in Article 13, then due. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 5, that allow Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House ("ACH") payments. Franchisee's failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. If Franchisee fails to timely report Gross Revenue, then, in addition to interest pursuant to Sections 6.4 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Royalty Fee payable. Franchisor shall reconcile amounts when Gross Revenues are reported. Franchisor reserves the right to modify the method and frequency of collection of the Royalty Fee and Brand Fund Contribution upon forty-five (45) days' prior notice to Franchisee.
- 6.2 Technology Fee. Franchisor reserves the right to impose a technology fee, payable by Franchisee, in an amount reasonably determined by Franchisor, for technology adopted, developed or otherwise required by Franchisor in the operation of the Franchised Business, including but not limited to, technology related to sales and financial reporting, assigned phone numbers and email addresses required for use in the Franchised Business, and/or a franchise portal, benchmarking platform or other operations or communications systems ("Technology Fee"). In Franchisor's sole discretion, Franchisor may (i) increase the amount of the Technology Fee or (ii) replace any technology with different technology, developed by Franchisor or a third-party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto. Payment of the Technology Fee will be made in the same manner and time as the first Royalty Fee due in each calendar month of the Term.
- 6.3 Marketing Platform Setup Fee. Franchisee shall pay Franchisor a Marketing Platform Setup Fee of Five Thousand Dollars (\$5,000.00), upon execution of this Agreement. **The Marketing Platform Setup Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.**
- 6.4 Interest on Late Payments. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of Eighteen Percent (18%) per annum or at the highest rate permitted by law, whichever is lower.
- 6.5 Non-Sufficient Funds Fee. In the event any of Franchisee's checks are returned, or an

electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Two Hundred Fifty Dollars (\$250.00) per occurrence ("Non-Sufficient Funds Fee"). The Non-Sufficient Funds Fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement. Franchisor reserves the right to increase the Non-Sufficient Funds Fee at any time during the Term of the Agreement.

- 6.6 Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

## **7 TRAINING.**

- 7.1 Initial Management Training Program. Franchisee (specifically including all Franchisee's principals) shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial management training program ("Initial Management Training Program") at least one (1) week (but no more than four (4) weeks), prior to the opening of the Franchised Business. The Initial Management Training Program consists of a course conducted at Franchisor's headquarters and/or affiliate-owned outlet in Portland, Oregon. Franchisor reserves the right to designate an alternate location for the Initial Management Training Program. Franchisee must at all times during the term of this Agreement have a principal and approved manager who have successfully completed the Initial Management Training Program to Franchisor's sole and complete satisfaction. No charge shall be made for up to three (3) people to take the Initial Management Training Program prior to opening the Franchised Business ("Initial Trainees"). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.
- 7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Management Training Program. If the Initial Management Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Management Training Program cannot be satisfactorily completed by Franchisee and Franchisee's Principal(s), Franchisor may terminate this Agreement.
- 7.3. Opening Assistance. Franchisor shall provide Franchisee with on-site training, supervision, and assistance to Franchisee for up to three (3) days at dates and times designated by the Franchisor. Franchisor, or its representative shall assess Franchisee's performance and shall provide Franchisee with feedback on process and management and may provide Franchisee with additional training, as determined by Franchisor. Franchisor also reserves the right to delay Franchisee's opening of the Franchised Business



location to the public until Franchisor is satisfied that Franchisee's operation complies with brand standards.

- 7.4 Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time. If required by Franchisor, Franchisee, or Franchisee's principals shall participate in the following additional training:

(i) on-going training for up to five (5) days per year, at a location designated by Franchisor.

(ii) a national business meeting or annual convention for up to three (3) days per year, at a location designated by Franchisor.

Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a default of this Agreement. Franchisee or Franchisee's principal(s) shall be required to obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal and Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

- 7.5 On-Site Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Business location. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

- 7.6 Counseling and Assistance. In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, video conferencing, electronic communications, mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding employee training, marketing, operation issues, purchasing and inventory control, bookkeeping and System improvements.

## **8 FRANCHISED LOCATION REQUIREMENTS**

### **8.1 Site Selection.**

- 8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless the site location is approved by Franchisor. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee may and is encouraged to consult with professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's approval of a prospective site location is permission only, does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability for Franchisor. Franchisee releases Franchisor from any claims over the site location selection and evaluation by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Franchised Business.
- 8.1.2 Franchisee shall locate a site that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor for its consent no later than sixty (60) days after the execution of this Agreement, subject to extension in Franchisor's sole discretion. Franchisor shall have ten (10) business days after receipt of this information and materials to consent, in its sole and absolute discretion, to the proposed site as the location for the Franchised Business. No site may be used for the location of the Franchised Business unless it is consented to in writing by Franchisor. If Franchisee does not locate a site for the Franchised Business that meets Franchisor's approval within sixty (60) days of signing this Agreement, or as extended in Franchisor's sole discretion, Franchisor reserves the right to terminate this Agreement.
- 8.1.3 Within ten (10) days after Franchisor has consented to the site for the Franchised Business (or such longer period as Franchisor consents to in writing), Franchisee shall execute a lease therefor and obtain physical possession of the premises. Any lease must include Franchisor's Collateral Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 6. Failure by Franchisee to acquire the site for the Franchised Business within the time and in the manner required herein shall constitute a material event of default under this Agreement.

- 8.1.4 Upon consent by Franchisor to the location for the Franchised Business, Franchisor shall set forth the location and Territory in Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, the Attachment 2 provided to Franchisee shall be deemed final.

## 8.2 Construction.

- 8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances or regulations or that may be necessary as a result of any restrictive covenants or regulations relating to the Franchised Business premises, including but not necessarily limited to required cross-ventilation, storage, use, and disposal of paint protection and ceramic coating solutions, and signage. Prior to beginning the construction of the Franchised Business, Franchisee shall (a) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (b) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained.

- 8.2.2 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least two (2) weeks prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct an electronic or in-person inspection of the completed Franchised Business.

- 8.2.3 Franchisee acknowledges and agrees that it will not open the Franchised Business for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

- 8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within ninety (90) days after Franchisor has given its consent to the site pursuant to Section 8.1.2, unless Franchisee obtains a written extension of such time period from Franchisor. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business location, including installation and cleaning of

equipment, fixtures, furnishings and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Management Training Program, as further set forth in Article 7, (iii) hire and train staff, (iv) obtain all other equipment Franchisor requires, including but not limited to, computer systems, software and applications, and a vehicle meeting Franchisor's specifications, and (iv) obtain all required licenses to operate the Franchised Business. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) within one hundred fifty (150) days following the date of this Agreement shall be deemed a material event of default under this Agreement.

- 8.4 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the premises of the Franchised Business at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and, if permitted, shall be at Franchisee's sole expense. In the event such permission is granted, (i) Franchisee shall pay a relocation fee equal to twenty-five percent (25%) of the then-current initial franchise fee ("Relocation Fee"), (ii) Franchisee shall secure and outfit the replacement premises in accordance with Section 8.1 within ninety (90) days of Franchisor's consent, (iii) if feasible, Franchisee shall continue to operate at the original premises during the construction of the replacement premises, (iv) upon relocation, Franchisee shall remove any signs or other property from the original Franchised Business premises which identified the original Franchised Business premises as part of the System, and (iv) the parties shall amend Attachment 2 to reflect the address of the new Franchised Business premises. Franchisee shall pay Franchisor fifty percent (50%) of the Relocation Fee upon Franchisor's consent to relocate and shall pay the remaining fifty percent (50%) of the Relocation Fee upon Franchisor's consent to the site of the new Franchised Business premises pursuant to Section 8.1.2. Failure to comply with the foregoing requirements shall be a default of this Agreement.

## **9 Maintenance and IMPROVEMENT OF THE FRANCHISED LOCATION AND SYSTEM**

- 9.1 Maintenance of Franchised Business Location. Franchisee shall equip and maintain the Franchised Business location to the standards of décor, air quality, sanitation, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct.
- 9.2 Inspections. Franchisee shall operate and maintain the Franchised Business and Franchised Business location in conformance with all regulations and best practices for (i) standard of service, (ii) handling and disposal of paint protection and ceramic coating solutions, and (iii) health, safety and sanitation practices; and in a manner that will insure the highest

rating possible for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

- 9.3 Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, application tools, equipment and machinery, POS Systems, and computer hardware and software, Franchisee's vehicle, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.4 Trade Dress Modifications.

- 9.4.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior building designs, new interior decors or color schemes, new or modified marks, new furnishings, and new vehicle requirements (collectively, "Trade Dress Modifications").

- 9.4.2 Upon Franchisor's request, no more often than once in a five (5)-year period, or as a condition to renew this Agreement, Franchisee shall refurbish the Franchised Business location at Franchisee's sole expense, as required by Franchisor, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

- 9.4.3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

- 9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

- 9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on a franchisee's level of success, superior performance and outlet profitability.

## **10 FRANCHISOR'S OBLIGATIONS**

Franchisor and/or its designated representative will provide the services described below:

- 10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor shall also approve the site in accordance with Section 8.1.2.
- 10.2 Construction. Provide to Franchisee criteria and specifications for an ALSET Auto outlet premises. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to required ventilation systems. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business in accordance with Article 8.
- 10.3 Manual. Provide Franchisee access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.
- 10.4 Inspection. Inspection of the Franchised Business and evaluations of the products sold and services rendered therein whenever reasonably determined by Franchisor.
- 10.5 Pre-Opening Requirements. Provide a written list of equipment, fixtures, furnishings, signage, supplies and products (including vehicle specifications), that will be required and/or recommended to open the Franchised Business for business.
- 10.6 Advertising Materials. Provide samples or digital artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.
- 10.7 List of Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of approved and/or recommended suppliers of products and services for System franchisees.
- 10.8 Training. The training programs specified in Article 7 herein.

10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business location in accordance with the provisions of Article 7.

10.10 Brand Fund. Administer a Brand Fund in accordance with Section 13.3.

## **11 FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS**

11.1 Best Efforts. Franchisee, including each of Principal, covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:

11.2.1 Franchisee is duly organized and validly existing under the state law of its formation;

11.2.2 Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business location and the Territory;

11.2.3 Franchisee's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;

11.2.4 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and

11.2.5 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.3 Guaranty. If any Franchisee or Principal is a married individual and the Franchisee's or Principal's spouse has not executed this Agreement, such Franchisee or Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 8 hereof.

#### 11.4 Appointment of Manager.

11.4.1 Franchisee shall designate and retain at all times a general manager (“General Manager”) to direct the operation and management of the Franchised Business location. Franchisee shall designate its General Manager prior to attending the Initial Management Training Program. The General Manager shall be responsible for the daily operation of the Franchised Business location. Unless otherwise permitted by Franchisor, the General Manager shall be, Franchisee, if Franchisee is an individual, or a Principal.

11.4.2 The General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

11.4.2.1 The General Manager shall meet Franchisor’s standards and criteria for such individual, as set forth in the Manual or otherwise in writing by Franchisor and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

11.4.2.2 The General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other business activity without the Franchisor’s consent, which may be withheld in Franchisor’s sole discretion.

11.4.2.3 The General Manager shall satisfy the training requirements set forth in Article 7.

11.4.3 If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee’s replacement General Manager shall attend and satisfactorily complete the Initial Management Training Program, at Franchisee’s sole cost and expense, including the payment of the then-current tuition therefor. Until such replacement is designated and trained, Franchisee shall provide for interim management of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in Franchisor’s sole discretion, may provide interim management support and charge Franchisee the then-current interim management support fee until such General Manager is properly trained or certified in accordance with Franchisor’s requirements, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee’s designated bank account in accordance with Section 6.1.4.



- 11.5 Alternative Business. Franchisee nor any other person(s) shall not open, operate, sublease, or conduct any other business other than the Franchised Business from within the site in which the Franchised Business is operates.
- 11.6 Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, air quality permits if required, fictitious name registrations, sales and other tax permits, fire and police department clearances, employment law compliance, Americans With Disability Act compliance, health permits, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall further comply with all industry best practices with respect to sanitation, ventilation systems, and the handling, storage and disposal of automotive paint protection solutions and coatings.
- 11.7 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of the loss of any required permit or license, any series of events, incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any citation, claim, order, writ, injunction, award or decree of any entity, court, agency or other governmental instrumentality, which in any way relates to or affects the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.
- 11.8 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents included in Attachment 9 to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers, listings, and passwords and administrator rights for all email and social media accounts used or created by Franchisee. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business. Franchisee agrees to observe Franchisor's policy on on-line and digital communications (which is subject to change periodically) including, without limitation, communications on social and professional networking sites such as Facebook, Twitter, LinkedIn, SnapChat, Instagram and other sites or blogs. Franchisee agrees and acknowledges that Franchisor has the right to review all on-line content involving the Marks or the System, and to require Franchisee to remove any content or usage, in Franchisor's sole discretion.

11.9 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority.

11.10 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

## **12 FRANCHISEE'S OPERATIONS**

12.1 Operation of Franchised Business. In order to maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

12.1.1 Use only those furnishings, fixtures, décor, equipment, supplies, and signage that conform with Franchisor's specifications and/or which shall be purchased from only those vendors designated and approved by Franchisor. Franchisee acknowledges that the use or sale of unapproved products or services is detrimental to the ALSET Auto brand and shall constitute a material and incurable breach of this Agreement. In the event Franchisee uses any unauthorized product or offers or performs any unauthorized services, Franchisee shall upon notice from Franchisor: (i) immediately cease using or offering such unauthorized product or service, and (ii) pay Franchisor an unauthorized product/service fine ("Unauthorized Product/Service Fine") of Five Hundred Dollars (\$500) per day for each day Franchisee continues to offer or use such unauthorized product or service following Franchisor's notice. The Unauthorized Product/Service Fine shall be in addition to all other remedies available to Franchisor under this Agreement;

12.1.2 Maintain and operate the Franchised Business location in good condition and repair, using Franchisee's best efforts to maintain a clean and inviting atmosphere therein in accordance with System standards, the Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;

- 12.1.3 Maintain in good working order, cleanliness and appearance, a vehicle for use in the Franchised Business. Franchisor reserves the right to set specifications and standards of condition, age and branding, as set forth in the Manual, of the vehicle used in the Franchised Business.
- 12.1.4 Comply with all applicable governmental laws, ordinances, rules and regulations including those related to hazardous materials, health and sanitation;
- 12.1.5 Maintain sufficient inventories of paint protection solutions, coatings, supplies and merchandise, as prescribed by Franchisor;
- 12.1.6 Conduct sales in accordance with Franchisor's standards and specifications includes the implementation and honoring of all gift card programs, customer incentive or convenience programs, or long-term or life-time service programs, as Franchisor directs. Franchisee is expressly prohibited from selling products or services outside of the Franchised Business location, or on the internet, and engaging in such sales shall be a material default of this Agreement;
- 12.1.7 Employ only qualified individuals who are trained in accordance with Franchisor's standards, including but not limited to the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;
- 12.1.8 Permit Franchisor or its agents, to inspect the Franchised Business location and any services, products or equipment, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;
- 12.1.9 Prominently display signs in and upon the Franchised Business location using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Franchised Business location or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have been improperly made or which are outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Business location or elsewhere and remove any objectionable or non-approved signs or advertising media and keep or destroy same

without paying therefor or without being deemed guilty of trespass or any other tort;

12.1.10 Conduct all advertising programs in a manner consistent with Franchisor's standards and specification, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks.

12.1.11 Comply at all times with the Franchisor's warranty programs, including but not limited to the issuance of warranty cards to customers and registration of serviced vehicles through platforms maintained by Franchisor or third parties, as required by Franchisor. Franchisor may change the terms of its warranty programs at any time, in Franchisor's sole discretion, and Franchisee shall comply with such programs at Franchisee's sole cost and expense, as revised.

## 12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures specified by Franchisor. Franchisee agrees to purchase the computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor.

12.2.2 Franchisee shall generate monthly income statements for the Franchised Business in the format specified by Franchisor. At Franchisor's request, Franchisee shall provide such income statements to Franchisor.

12.2.3 Within ninety (90) days after the close of each calendar year, Franchisee shall furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during the calendar year, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.4 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.5 Franchisor reserves the right to require Franchisee to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.6 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds an understatement of any Gross Revenue Report, Franchisee shall pay Franchisor the

amounts due together with interest thereon at the rate provided herein, and if understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

### 12.3 Computer Systems.

- 12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer hardware and software Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing.
- 12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.
- 12.3.3 Any and all customer data collected by or provided to Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.
- 12.3.4 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System, or for security purposes to protect the operation and integrity of Franchisor's systems.
- 12.3.5 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not

establish any website or other listing on the Internet except as provided and specifically permitted herein.

12.3.6 Franchisor has established a website that provides information about the System and the products and services offered by the ALSET Auto System (the “Website”). Franchisor has sole discretion and control over the Website. Franchisee has no ownership or other proprietary rights to Franchisor’s website or Franchisee’s webpage, and Franchisee will lose all rights to such Website and webpage upon expiration or termination of this Agreement for any reason.

12.3.7 In addition to Franchisee’s obligations pursuant to Section 6.2 hereof, Franchisee shall pay all other fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, third-party applications, regularly recurring fees for software and Internet access, license fees, help desk fees, licensing or user-based fees.

12.4. Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business location for Franchisee, Franchisee’s personnel, customers, agents and the general public. Franchisee shall (i) train all employees on, and comply with all best practices for, the handling, storage and disposal of paint protection solutions and other products used in the rendering of services of the Franchised Business, and (ii) train all employees on, and comply with all best practices and manufacturers’ instructions for the use of products, tools and equipment. All matters of safety and security are within Franchisee’s discretion and control, and Franchisee’s indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.

12.5 Prices. Subject to applicable law, Franchisor will recommend minimum and maximum prices for services and products offer by Franchisee. Franchisee shall have the right to sell its services and products at any price within Franchisor’s parameters. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee’s sales or profits.

12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to using such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier’s facilities and to test or otherwise evaluate samples from the supplier. Franchisee shall reimburse Franchisor the actual costs incurred by Franchisor for inspection and testing, including any travel costs. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products

of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.

12.7 External Quality Assurance Services. Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, mystery shop programs and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's request and at Franchisee's sole cost and expense, Franchisee shall subscribe, to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor.

12.8 Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

### **13 ADVERTISING, PROMOTIONS AND RELATED FEES**

13.1 Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee.

13.2 Local Advertising.

13.2.1 In addition to the ongoing advertising contributions set forth herein, and following the expenditures set forth in Section 13.2.3 below, Franchisee shall spend monthly, during the first year of the Term, Four Thousand Five Hundred Dollars (\$4,500.00) per month, on advertising for the Franchised Business in the Territory ("Local Advertising"). Franchisee's monthly minimum Local Advertising expenditure obligation shall increase by ten percent (10%) for each subsequent year of the Term. Franchisor may require Franchisee to allocate to a regional advertising cooperative,

as described in Section 13.4, up to one-half of Franchisee's required Local Advertising expenditures.

- 13.2.2 Within ten (10) business days of Franchisor's request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee's Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.
- 13.2.3 Prior to Franchisee's attendance at the Initial Management Training Program, Franchisee shall pay Franchisor a grand opening advertising fee of Two Thousand Dollars (\$2,000.00) for promotional marketing materials to be used in Franchisee's Territory ("Grand Opening Advertising Fee"). Franchisee is required to spend an additional minimum of Three Thousand Dollars (\$3,000.00) on Local Advertising and promotional activities in the Territory within sixty (60) days of the opening of the Franchised Business to promote the opening of the Franchisee's Franchised Business. Prior to commencing the initial promotional activities, Franchisee shall submit Franchisee's initial marketing plan to Franchisor for Franchisor's approval in accordance with Section 13.6 hereof. Franchisor reserves the right to collect grand opening funds from Franchisee to implement promotions on Franchisee's behalf for up to six months following the Opening Date.

### 13.3 Brand Fund.

- 13.3.1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising and marketing. Franchisee is required to contribute an amount equal to one and a half percent (1.5%) of the Gross Revenue generated weekly by Franchisee's Franchised Business to the Brand Fund ("Brand Fund Contribution"). Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.4 and 6.5 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Revenues are reported. Franchisor reserves the right, at any time, to increase Franchisee's Brand Fund Contribution to any amount not to exceed three percent (3%) of Franchisee's Gross Revenues.
- 13.3.2 Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.



- 13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to ALSET Auto outlets operated by Franchisor or Franchisor's affiliates.
- 13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website; and staff salaries for dedicated personnel and other departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Brand Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating "Franchises Available."
- 13.3.5 The Brand Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs, staff salaries of Brand Fund personnel and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit.
- 13.3.6 Franchisor will prepare an unaudited annual statement of the Brand Fund's operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.
- 13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.
- 13.4 Regional Advertising. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the Term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts

equal to Franchisee's share of the total cost of cooperative advertising, in addition to required Brand Fund Contribution; provided, however, if a vote of the cooperative members increases the required cooperative contribution, Franchisee shall contribute such increased amount.

- 13.5 Directory Listings. At Franchisee's sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Facebook, Twitter, LinkedIn, YouTube or any other social media and/or networking site without Franchisor's prior written approval and in strict accordance with Franchisor's requirements.
- 13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval at least ten (10) days in advance of publication samples of all advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within ten (10) days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within ten (10) days, such plans and materials shall be deemed "disapproved". Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the ALSET Auto brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

## **14 INTELLECTUAL PROPERTY**

### **14.1 Ownership.**

- 14.1.1 Franchisee expressly understands and acknowledges that one or more of Franchisor's principals ("Licensor") is the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Licensor claims copyrights on certain material used in the System, including but not limited to its website, documents, advertisements, promotional materials and the Manual, whether or not Franchisor has filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor's trade secrets, service marks, trade dress and

proprietary systems are hereafter collectively referred to as the “Intellectual Property”.

14.1.2 As between Franchisor and Franchisee, Licensor and Franchisor are the owner of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor’s or Licensor’s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor’s or Licensor’s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business location or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee’s use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee’s use of the Intellectual Property.

14.4 Validity. Franchisee shall not contest the validity of, or Franchisor’s or Licensor’s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor’s or Licensor’s interest in, the Intellectual Property.

14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor’s or Licensor’s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain and enforce such rights in the Intellectual Property.

14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "ALSET Auto" and design. Franchisee shall not use the Marks as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of Alset Auto Development LLC".

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent ALSET Auto franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different

from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

- 14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity or corporation.

## **15 INSURANCE AND INDEMNIFICATION**

- 15.1 Procurement. at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies, which shall be primary and non-contributory to any insurance that Franchisor may carry. Franchisee's insurance shall protect Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):

- 15.1.1 Liability. Commercial general liability insurance, including contractual liability, public liability, garagekeepers liability, products liability, personal injury, advertising injury, and environmental damage coverage in the amount of at least One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) in the aggregate;

- 15.1.2 Employment. Worker's compensation coverage for all of Franchisee's employees in the limits required by state law and employer practices liability insurance in the amount of One Million Dollars (\$1,000,000) per incident, as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated;

- 15.1.3 Property. Fire, vandalism and extended coverage insurance for property damage with primary and excess limits of not less than One Million Dollars (\$1,000,000) or the full replacement value of the leasehold improvements, equipment, furniture, fixtures, vehicles and inventory, whichever is greater.

- 15.1.4 Business. Business interruption insurance for a minimum of twelve (12) months, in an amount necessary to satisfy Franchisee's obligations under this Agreement and the lease for the Franchised Business location.

- 15.1.5 Automobile Insurance. Prior to operation of any vehicle on behalf of the Franchised Business, Franchisee must obtain comprehensive automobile liability insurance in the amount of at least a combined single limit for bodily injury and property damage of One Million Dollars (\$1,000,000), or greater if required by state law.

- 15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. In addition, if requested by Franchisor, Franchisee shall

deliver to Franchisor a copy of the insurance policy or policies required hereunder. Franchisee's policies shall contain a provision stating that the policies shall provide thirty (30) days' prior written notice to Franchisor prior to material modification, cancellation or expiration thereof.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof, together with a reasonable fee equal to ten percent (10%) of the cost for Franchisor's expenses in so acting, plus Franchisor's attorneys' fees, if any. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor, Licensor, their affiliates and their members, officers, agents and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees.

15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS ALSET AUTO DEVELOPMENT LLC, ALSET LLC, AND ANY OF EITHER'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "ALSET INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE OPERATION, CONDITION, OR ANY PART OF FRANCHISEE'S ALSET AUTO FRANCHISE, THE FRANCHISED BUSINESS, THE PRODUCTS, THE SERVICES, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO FRANCHISEE'S FRANCHISED BUSINESS, WHETHER CAUSED BY FRANCHISEE, FRANCHISEE'S AGENTS OR EMPLOYEES, OR ARISING FROM FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES, REGARDLESS OF WHETHER THE ALLEGED INJURY OR LIABILITY IS CAUSED IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF THE ALSET INDEMNITEES. FRANCHISEE AGREES TO PAY FOR ALL THE ALSET INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED

TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE ALSET INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE ALSET INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE ALSET INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE ALSET INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE ALSET INDEMNITEES.

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## 16. TRANSFERS

### 16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations). However,

Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to an ALSET Auto franchise during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in any part of the automotive paint protection or refinishing business or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principals of the business as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor, be individuals of good character and otherwise meet, in Franchisor's sole discretion, Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's Initial Management Training Program to Franchisor's satisfaction;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;

16.3.5 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;



- 16.3.6 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;
- 16.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;
- 16.3.8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor; and
- 16.3.9 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.
- 16.4 Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to seventy-five percent (75%) of the then-current initial franchise fee; provided however, (i) for transfers to an existing franchisee in good standing with Franchisor, the transfer fee is fifty percent (50%) of the then-current initial franchise fee, (ii) for transfers of ownership interest among existing principals, shareholders or members, or to add a business entity or new shareholder or member of the Franchisee entity and such transfer does not change management control of the Franchise, the transfer fee is One Thousand Five Hundred Dollars (\$1,500.00), and (iii) for a transfer to a spouse, parent or child upon death or permanent disability of Franchisee or Franchise's Principal, as the case may be, the transfer fee is Three Thousand Five Hundred Dollars (\$3,500.00).
- 16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are

subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

#### 16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within sixty (60) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.

16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.

16.6.4 If Franchisor does not exercise its right to buy within sixty (60) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any of Franchisee's Principals, as the case may be, the Franchise granted by this Agreement will terminate. Accordingly, the executor, administrator, conservator or other personal representative of Franchisee or Franchisee's Principal, as the case may be, shall be required to transfer Franchisee's or Franchisee's Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For

purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is under control of an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Franchisee's Principals nor waive its right to demand that the transferee comply strictly with this Agreement.

16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions.

## 17. DEFAULTS

17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any

lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

17.2 Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.2.1 fails to acquire a site for the Franchised Business and timely complete construction of the Franchised Business, fails to obtain, or suffers a lapse of, any required licenses and permits, or fails to open the Franchised Business within the time and in the manner specified in Article 8.

17.2.2 falsifies any report required to be furnished Franchisor hereunder;

17.2.3 ceases to operate the Franchised Business for a period of five (5) days or more; provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.

17.2.4 loses for any cause whatsoever the right of possession of the real property on which the Franchised Business is located; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4.

17.2.5 fails to restore the Franchised Business location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised Business location is rendered inoperable by any casualty;

17.2.6 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Business, or the failure to pay taxes;

17.2.7 defaults under any lease or sublease of the real property on which the Franchised Business is located;

17.2.8 understates Gross Revenue on two (2) occasions or more, whether or not cured on any or all of those occasions;

17.2.9 fails to comply with the covenants in Article 15;

17.2.10 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

- 17.2.11 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal of Franchisee as required by Section 16.7.
- 17.2.12 has misrepresented or omitted material facts in applying for, or in operating, the Franchise;
- 17.2.13 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or engages in any conduct reasonably likely to harm the reputation of the System or the goodwill associated with the Marks;
- 17.2.14 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;
- 17.2.15 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;
- 17.2.16 creates a threat or danger to public health or safety from the construction, maintenance or operation of the Franchised Business;
- 17.2.17 refuses to permit Franchisor to inspect or audit Franchisee's books or records;
- 17.2.18 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);
- 17.2.19 fails to comply with the non-competition covenants in Section 19.5;
- 17.2.20 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the Term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected;
- 17.2.21 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;
- 17.2.22 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement;
- 17.2.23 fails to meet Minimum Performance Standards; or

17.2.24 terminates this Agreement without cause.

17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.20 and/or 17.2.21;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.20.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business location and exercise complete authority with respect to the operation thereof until such time as Franchisor determines 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 the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor the then-current interim management support fee as compensation therefor. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such

representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

- 17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.
- 17.6 Suspend Operations. In the event of a default by Franchisee pursuant to Section 17.2.6 hereof, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may instruct Franchisee to immediately suspend operation of the Franchised Business, until Franchisee has cured such non-compliance to Franchisor's satisfaction. Non-operation of the Franchised Business due to regulatory or other legal non-compliance shall specifically be subject to Section 17.3.2 hereof.
- 17.7 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorneys' fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

## **18 POST-TERMINATION**

- 18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:
- 18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current ALSET Auto owner, franchisee or licensee;
  - 18.1.2 immediately and permanently cease to use the Marks, any imitation of any Mark, Franchisor's copyrighted material or other intellectual property, confidential or proprietary material or indicia of the Franchised Business; immediately and permanently refrain from using any trade name, trade or service mark or other commercial symbol that suggests a current or past association with Franchisor, Licensor, or the System and immediately and permanently refrain from using in any way Franchisor's name or Intellectual Property in connection with Franchisee's future business endeavors. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms and any other articles, which display the Marks;
  - 18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance

with this obligation which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

- 18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business location at the time of default;
- 18.1.5 pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;
- 18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law; and
- 18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19.
- 18.1.8 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

## 18.2 Right to Purchase.



18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any point of sale system and vehicles), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value.

18.2.2 With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.7, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different

telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4 Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

## **19 NON-DISCLOSURE AND NON-COMPETITION COVENANTS**

### **19.1 Operations Manual.**

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and any and all Principals shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Franchisee's Principals, if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Franchisee's Principals, and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto,

whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies and return and cease using any physical copy of the Manual, and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.1.5 If Franchisee loses, misplaces or otherwise requests a physical copy of the Manual, Franchisor, in its discretion, may provide such physical copy and Franchisee shall pay Franchisor the then-current replacement fee.

19.2 Confidential Information. Franchisee along with its Principals acknowledge and accept that during the term of this Agreement, Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration,

termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

- 19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.
- 19.4 New Concepts. If Franchisee or any Principal develops any new concept, process, product, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.
- 19.5 Noncompetition Covenants. Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee's managers and employees. Franchisee and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and each Principal, if any, are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor:
- 19.5.1. During the term of this Agreement, Franchisee and each Principal, if any, shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any automotive refinishing business; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any ALSET Auto franchisees or Franchisor-affiliated outlets.

19.5.2. Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principals, if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any automotive refinishing business within forty (40) miles of the Territory or any ALSET Auto location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any ALSET Auto franchisees.

19.6 Reasonableness of Restrictions. Franchisee and each Principal, if any, acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, as the case may be, the opportunity to derive income from other endeavors.

19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and each Principal, if any, acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and each Principal, if any, hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.

19.9 No Defense. Franchisee and each Principal, if any, expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

19.10 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from all

employees, contractors or third persons who will have access to Franchisor's confidential and proprietary information. Such covenants shall be substantially in the form set forth in Attachment 10, as revised and updated from time to time and contained in the Manual.

## **20. DISPUTE RESOLUTION**

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Exhibits hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

20.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

20.3 Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the State of Oregon. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the State of Oregon. Franchisee and its Principals, except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Oregon. Franchisee and its Principals hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.4 Mutual Benefit. Franchisee, each Principal, if any, and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.3 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principals, if any, and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

- 20.5 Waiver of Jury Trial and Certain Damages. Franchisee and each Principal hereby waive, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.
- 20.6 Injunctive Relief. Nothing herein contained (including, without limitation, Sections 20.1 through 20.3 above) shall bar Franchisor from the right to obtain immediate injunctive relief from any court of competent jurisdiction against threatened conduct by Franchisee that may cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.
- 20.7 Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.
- 20.8 Attorney's Fees. In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.
- 20.9 Survival. The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement.

## **21. GENERAL**

### **21.1 Relationship of the Parties.**

- 21.1.1 Independent Contractor. Franchisee is and shall be an independent contractor under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor.

Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in Franchisor's Operations Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

21.1.3 Franchisee's Employees. Franchisee acknowledges and agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of an ALSET Auto outlet and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agree to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principals, if any, in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the



prohibition without in any way invalidating or altering any other provision of this Agreement.

- 21.4 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, except that nothing in this Agreement or in any related agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document delivered to Franchisee prior to the execution hereof. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 21.5 Construction. 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, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and any Principals shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 21.6 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 21.7 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.
- 21.8 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business location shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the Franchised Business location.
- 21.9 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term,

provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

21.10 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Oregon, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement, and by attaching their DocuSign Signature to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on a DocuSign signature(s) as the respective party's signature.

21.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument. Confirmation of execution by electronic transmission of a facsimile or .pdf signature page shall be binding.

21.12 Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.

***Signature page to follow***

The parties hereto have executed this Franchise Agreement on the day and year first above written.

FRANCHISOR:

ALSET AUTO DEVELOPMENT LLC

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

\_\_\_\_\_,\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,\_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

## ATTACHMENT 1

Trademarks:

ALSET Auto

**ALSET**  
*auto*

## ATTACHMENT 2

### TERRITORY DESCRIPTION AND FRANCHISED BUSINESS LOCATION

\*\* TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A  
LOCATION IS APPROVED IN/AROUND \_\_\_\_\_.

Territory (insert map and/or define by zip codes):

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Franchised Business Address:

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### ATTACHMENT 3

#### MINIMUM PERFORMANCE STANDARDS

Franchisee shall attain the following minimum Gross Revenue for each year of the Term and any renewal thereof, as follows:

| Period                                                | Minimum Annual Gross Revenue |
|-------------------------------------------------------|------------------------------|
| First Calendar Year                                   | No Minimum                   |
| Second Calendar Year                                  | \$200,000                    |
| Third Calendar Year                                   | \$400,000                    |
| Fourth Calendar Year and<br>Successive Calendar Years | \$500,000                    |

## ATTACHMENT 4

### GENERAL RELEASE

\_\_\_\_\_, a(n) \_\_\_\_\_,  
\_\_\_\_\_, with its principal place of business located at \_\_\_\_\_  
\_\_\_\_\_ and \_\_\_\_\_'s principals \_\_\_\_\_  
\_\_\_\_\_, an individual residing at \_\_\_\_\_  
and \_\_\_\_\_, an individual residing at \_\_\_\_\_  
\_\_\_\_\_ ("Principal(s)"), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release, discharge and hold harmless Alset Auto Development LLC ("Franchisor"), ALSET LLC, their affiliates, and each of their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated \_\_\_\_\_ between Franchisee, Principal(s) and Franchisor and any related agreements and the relationship created thereby, or the Franchised Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims").

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

**Signature on Following Page**

Franchisee and Principal(s) have executed on this day of \_\_\_\_\_  
the foregoing Release of Alset Auto Development LLC, ALSET LLC, their affiliates, and each of  
their respective officers, directors, shareholders, employees, agents, attorneys, successors, and  
assigns.

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_

(Name, Title)

PRINCIPAL:

\_\_\_\_\_

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

PRINCIPAL:

\_\_\_\_\_

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



## ATTACHMENT 5

### AUTHORIZATION AGREEMENT AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **ALSET AUTO DEVELOPMENT LLC**

I (We) hereby authorize Alset Auto Development LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: \_\_\_\_\_ Branch: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_

ACH/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

\_\_\_\_\_  
Print Franchisee / Account Holder Name

\_\_\_\_\_  
Print Franchisee/Co-Account Holder Name

\_\_\_\_\_  
Franchisee/ Account Holder Signature-Date

\_\_\_\_\_  
Franchisee/Co-Account Holder Signature-Date

\_\_\_\_\_  
Daytime Phone Number

\_\_\_\_\_  
Email Address

**PLEASE ATTACH A VOIDED CHECK TO THIS FORM**

**Please Return Form to:**  
**ALSET AUTO DEVELOPMENT LLC**  
**135 NE 12<sup>th</sup> Avenue**  
**Portland, Oregon 97232**  
**Phone #: 503-255-6666**

ATTACHMENT 6

**CONDITIONAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned \_\_\_\_\_ ("Assignor") hereby assigns and transfers to Alset Auto Development LLC an Oregon limited liability company, with a notice address of 135 NE 12<sup>th</sup> Avenue, Portland, Oregon 97232 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as \_\_\_\_\_. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a ALSET outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

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

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

\_\_\_\_\_,  
(Print Name, Title)

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

\_\_\_\_\_

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

\_\_\_\_\_

**CONSENT AND AGREEMENT OF LANDLORD**

to that Conditional Assignment of Lease from \_\_\_\_\_ (Assignor) to Alset Auto Development LLC, (Assignee) dated \_\_\_\_\_ for the property known as \_\_\_\_\_.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease;
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as a ALSET outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

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

LANDLORD:

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

**ATTACHMENT 7**

**STATEMENT OF OWNERSHIP INTERESTS IN  
FRANCHISEE/FRANCHISEE ENTITY**

**Name**

**Percentage of Ownership**

## ATTACHMENT 8

### SPOUSE GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_, (the “Effective Date”) to Alset Auto Development, LLC, an Oregon limited liability company (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the Effective Date hereof (the “Franchise Agreement”) with \_\_\_\_\_, a(n) \_\_\_\_\_ and \_\_\_\_\_ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty is partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

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

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

## ATTACHMENT 9

### **INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT**

**THIS INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between Alset Auto Development LLC, an Oregon limited liability company (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”).

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for an ALSET automotive paint protection business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the ALSET brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### **1. Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

#### **2. Internet Advertising and Telephone Accounts**

2.1 **Interest in Web Sites, Social Media Accounts and Other Electronic Listings.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet web sites, and the right to hyperlink to certain web sites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Web Sites, Social Media Accounts and other Listings: (i) to transfer all of Franchisee’s Interest in such Internet Web Sites, Social Media Accounts and other Listings to Franchisor;

and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Web Sites, Social Media Accounts and other Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Web Sites, Social Media Accounts and other Listings or will take such other actions with respect to the Internet Web Sites, Social Media Accounts and other Listings as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s Interest in and to the Internet Web Sites, Social Media Accounts and/or other Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Internet Web Sites, Social Media Accounts and/or other Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s Interest in and to the Telephone Numbers and Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s Interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee’s Interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the



respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. **Miscellaneous**

3.1 **Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 **Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 **No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any matter hereunder.

3.4 **Further Assurances.** Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 **Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 **Effect on Other Agreements.** Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 **Survival.** This Agreement shall survive the Termination of the Franchise Agreement.

3.9 **Governing Law.** This Internet Listing Agreement shall be governed by and construed under the laws of the State of Oregon, without regard to the application of Oregon conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

**ALSET AUTO DEVELOPMENT LLC**

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**ATTACHMENT 10**  
**CONFIDENTIALITY AND NON-COMPETE AGREEMENT**

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of Alset Auto Development LLC an Oregon \_\_\_\_\_ (“Franchisor”), and \_\_\_\_\_, an individual (“Covenantor”) in connection with a Franchise Agreement dated \_\_\_\_\_.

**WHEREAS**, Franchisee and Franchisor are parties to a franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain trademarks, including, the registered trademark “ALSET Auto” and design mark, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of Franchised Business outlets;

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the ALSET Auto operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

**WHEREAS**, the Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

**WHEREAS**, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

**1. Confidentiality Agreement.**

**a.** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

**c.** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Franchised Business.

**d.** Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

## **2. Covenants Not to Compete.**

a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the ALSET Auto location or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any automotive refinishing business substantially similar to the System.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the ALSET Auto System to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational or supervisory capacity in any automotive refinishing business within the within forty (40) miles of Franchisee's Territory or any ALSET Auto location.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

## **3. General.**

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

**b.** Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

**c.** Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

**d.** Any failure Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

**e.** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OREGON, WITHOUT REFERENCE TO OREGON CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE OF OREGON. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY OREGON OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN OREGON; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

**f.** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

**g.** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

**h.** This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

**i.** All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

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

If directed to Covenantor:

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

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

**j.** Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor’s obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

**k.** The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

\_\_\_\_\_

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

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

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

COVENANTOR:

\_\_\_\_\_

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

**EXHIBIT C**

**FINANCIAL STATEMENTS**

**ALSET AUTO DEVELOPMENT LLC**

Report of Independent Auditors  
and Financial Statements for

**ALSET AUTO DEVELOPMENT, LLC**

September 30, 2023



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Management of  
**Alset Auto Development, LLC**

### **Report on the Financial Statements**

#### **Opinion**

We have audited the financial statements of Alset Auto Development, LLC, which comprise the statement of financial position as of September 30, 2023 and the related statements of activities, cash flows and statement of changes in equity for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alset Auto Development, LLC as of September 30, 2023, 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.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alset Auto Development, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alset Auto Development, LLC's ability to continue as a going concern for financial year 2024.



### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alset Auto Development, LLC's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alset Auto Development, LLC's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**McKenzie Forensic Group, Inc.**

**Firm Audit License #: AD67362**

**Individual License #: AC44080**

**Principal: Nathan McKenzie, MBA, CPA, CVA, CFE, CAM**

Fort Lauderdale

2nd November, 2023

**ALSET AUTO DEVELOPMENT, LLC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT SEPTEMBER 30, 2023 AND 2022**

|                                              | Note | <u>2023</u>             | <u>2022</u>             |
|----------------------------------------------|------|-------------------------|-------------------------|
| <b>CURRENT ASSETS:</b>                       |      |                         |                         |
| Cash and cash equivalents                    | 4    | \$ 62,304               | \$ 16,076               |
| Inventory                                    |      | 26,593                  | 6,414                   |
| <b>Total Current Assets</b>                  |      | <u>88,897</u>           | <u>22,490</u>           |
| <b>NON CURRENT ASSETS:</b>                   |      |                         |                         |
| Intangibles                                  | 5    | 5,175                   | 5,962                   |
| <b>Total Non Current Assets</b>              |      | <u>5,175</u>            | <u>5,962</u>            |
| <b>TOTAL ASSETS</b>                          |      | <u><b>\$ 94,072</b></u> | <u><b>\$ 28,452</b></u> |
| <b>CURRENT LIABILITIES:</b>                  |      |                         |                         |
| Payroll Liability                            |      | \$ 8,574                | \$ -                    |
| Due to related party                         | 6    | 132,658                 | 135,681                 |
| <b>Total Current Liabilities</b>             |      | <u>141,232</u>          | <u>135,681</u>          |
| <b>LONG-TERM LIABILITIES</b>                 |      | <u>-</u>                | <u>-</u>                |
| <b>TOTAL LIABILITIES</b>                     |      | <u>141,232</u>          | <u>135,681</u>          |
| <b>PARTNER'S EQUITY</b>                      |      | <u>(47,160)</u>         | <u>(107,229)</u>        |
| <b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b> |      | <u><b>\$ 94,072</b></u> | <u><b>\$ 28,452</b></u> |

**ALSET AUTO DEVELOPMENT, LLC**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022**

|                                 | Note     | 2023       | 2022     |
|---------------------------------|----------|------------|----------|
| <b>SALES</b>                    | <b>3</b> | \$ 949,793 | 178,085  |
| <b>COST OF SALES</b>            |          | 26,057     | 6,371    |
| <b>GROSS PROFIT</b>             |          | 923,736    | 171,714  |
| <b>OPERATING EXPENSES:</b>      |          |            |          |
| Advertising & Marketing         |          | 134,356    | 35,381   |
| Amortization Expense            |          | 788        | 788      |
| Auto Expense                    |          | 341        | 2,147    |
| Bank Charges & Fees             |          | 987        | 432      |
| Dues and subscriptions          |          | -          | 616      |
| Contactors                      |          | 2,590      | -        |
| Franchisee costs                |          | 33,412     | 6,581    |
| Guaranteed Payment - Bunting    |          | 30,000     | -        |
| Legal & Professional Services   |          | 95,691     | 33,396   |
| Meals & Entertainment           |          | 7,341      | 6,392    |
| Office Supplies & Software      |          | 26,355     | 4,888    |
| Office Rental                   |          | 1,829      | -        |
| Office Equipment                |          | 1,299      | 3,236    |
| Payroll Expenses                |          | 141,003    | -        |
| Sales Representative            |          | 122,177    | 64,000   |
| Taxes & Licenses                |          | 1,725      | 900      |
| Telecommunications              |          | 201        | -        |
| Travel                          |          | 28,768     | 27,146   |
| Video Production                |          | 14,804     | 30,860   |
| <b>Total Operating Expenses</b> |          | 643,667    | 216,763  |
| <b>OPERATING INCOME (LOSS)</b>  |          | 280,069    | (45,049) |
| <b>NET INCOME BEFORE TAXES</b>  |          | 280,069    | (45,049) |
| <b>INCOME TAXES</b>             |          | -          | -        |
| <b>NET INCOME</b>               |          | \$ 280,069 | (45,049) |

**ALSET AUTO DEVELOPMENT, LLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022**

---

| Particulars                                    | Partners<br>Equity | Retained<br>Earnings | Total<br>Equity  |
|------------------------------------------------|--------------------|----------------------|------------------|
| Openining Balance as on 1 October 2021         | \$ (49,321)        | (12,859)             | (62,180)         |
| Current year loss                              |                    | (45,049)             | (45,049)         |
| <b>Closing Balance as on 30 September 2022</b> | <b>\$ (49,321)</b> | <b>(57,908)</b>      | <b>(107,229)</b> |
| Openining Balance as on 1 October 2022         | \$ (49,321)        | (57,908)             | (107,229)        |
| Current year profit/(loss)                     |                    | 280,069              | 280,069          |
| Distribution                                   |                    | (220,000)            | (220,000)        |
| <b>Closing Balance as on 30 September 2023</b> | <b>\$ (49,321)</b> | <b>2,161</b>         | <b>(47,160)</b>  |

**ALSET AUTO DEVELOPMENT, LLC**  
**STATEMENT OF CASH FLOWS – INDIRECT METHOD**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023 AND 2022**

|                                                                                     | <u><b>2023</b></u>      |
|-------------------------------------------------------------------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                        |                         |
| Net Income                                                                          | \$ 280,069              |
| Adjustments to Reconcile Net Income<br>to Net Cash Flows From Operating Activities: |                         |
| Amortization                                                                        | 788                     |
| Decrease (Increase) in Operating Assets:                                            |                         |
| Trade Accounts Receivable                                                           | -                       |
| Inventory                                                                           | (20,179)                |
| Increase (Decrease) in Operating Liabilities:                                       |                         |
| Due to related party                                                                | (3,025)                 |
| Payroll liabilities                                                                 | 8,574                   |
| Total Adjustments                                                                   | <u>(13,842)</u>         |
| <b>Net Cash Flows From Operating Activities</b>                                     | <u>266,227</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                        |                         |
| Purchase of Intangible                                                              | -                       |
| Organizational cost                                                                 | -                       |
| <b>Net Cash Flows From Investing Activities</b>                                     | <u>-</u>                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                        |                         |
| Member's Withdrawals                                                                | (220,000)               |
| <b>Net Cash Flows used in Financing Activities</b>                                  | <u>(220,000)</u>        |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                    | 46,227                  |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>                                        | <u>16,076</u>           |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>                                           | <u><u>\$ 62,304</u></u> |

**Note 1 – Description of the Organization**

Alset Auto Development LLC (the 'Company') is a corporation incorporated on September 11, 2020 under the laws of the State of Oregon. The company specialize in providing ancillary services such as Paint Protection Film (PPF), Ceramic coatings and window tints exclusively to Tesla owners.

The Company operates business at various locations through franchises situated at Atlanta, Austin, Boston, Dallas, Houston, Jacksonville, Las Vegas, Los Angeles, Orlando, Sacramento, San Diego, Tampa and Vancouver BC.

**Note 2 – Summary of significant accounting policies**

The principal accounting policies adopted in preparation of the financial statements ae set out below. The financial statements are presented in US Dollar, which is the Company's functional currency.

*Basis of presentation*

The financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), as appropriate for for-profit oriented entities.

*Measure of operations*

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Company's ongoing services and other income.

*Use of estimates*

The financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Management uses its historical records and knowledge of its business in making these estimates. Accordingly, actual results may differ from these estimates.

*Cash and cash equivalents*

The Company considers cash equivalents to include short-term, highly liquid investments with an original maturity of three months or less.

*Fair Value of financial instruments*

Financial instruments that are not measured at fair value include accounts receivable, accounts payable and debt. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term maturities.

*Accounts receivable and Concentration of credit risk*

Accounts receivable are stated net of allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of customers to meet their obligations. It is the policy of the Company to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of September 30, 2023, the Company did not have any receivables.



## ALSET AUTO DEVELOPMENT, LLC

### NOTES TO FINANCIAL STATEMENTS

---

#### *Inventory*

Inventory is stated at the lower of cost or net realizable value. Cost is determined by the first in first out cost method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

#### *Website development cost*

The Company certain costs associated with website and software development for internal use according to ASC 350-50-*Intangibles*-Goodwill and Other-Website Development costs. The Company has capitalized \$6,750 and the related accumulated amortization amounted to \$1,575 as of 30 September, 2023.

#### *Revenue Recognition*

The Company recognizes revenue as follows:

Franchise Sales and fee - The Company recognizes the revenue from the sale of franchises with an appropriate provision for estimated uncollectible amounts when all the material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor (i.e., the Company). Substantial performance for the franchisor means that:

- (a) the franchisor has no remaining obligation or intent - by agreement, trade practice, or law - to refund any cash received or forgive any unpaid notes receivable;
- (b) substantially all of the initial services of the franchisor required by the franchise agreement have been performed; and
- (c) no other material conditions or obligations related to the determination of substantial performance exist.

Franchise Fees (i.e., Royalties) - Continuing franchise fees are recognized as revenue when earned and become receivable from the franchisee.

#### *Cost of sales*

Cost of sales consists of the direct costs associated with procuring parts from suppliers and delivering products to customers. These costs include direct product costs, outbound freight and shipping costs, warehouse supplies and warranty costs, partially offset by purchase discounts. Amortization expenses are excluded from cost of sales and included in operating expense.

#### *Operating expense*

Operating expense consists of marketing, general and administrative expenses. Marketing costs including advertising, are expensed as incurred. The majority of advertising expense is paid to internet search engine service providers and internet commerce facilitators. Other expenses consist of payroll and related expenses, technological expenses, etc.

#### *Income Taxes*

The Company is obligated to pay corporate income taxes in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740 "Income Taxes". During the current year, no income tax liability has been recorded. Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and the amounts that are reported in the income tax returns. The net deferred income tax assets have been fully reserved by a valuation allowance due to the uncertainty of our ability to realize future taxable income and to recover our net deferred income tax assets.

**ALSET AUTO DEVELOPMENT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 – Revenue**

|                                         | <b>2023</b>    | <b>2022</b>     |
|-----------------------------------------|----------------|-----------------|
| Initial Franchise Fee                   | 448,500        | 130,000         |
| Monthly Royalty & Advertising Fund Fees | 266,189        | 31,404          |
| Shop Supplies Sales                     | 97,155         | 16,681          |
| PPF Sales Commissions                   | 125,949        | -               |
| Grand Opening Advertising               | 2,000          | -               |
| Franchisee Set-up Fee                   | 10,000         | -               |
|                                         | <u>949,793</u> | <u>1,78,085</u> |

**Note 4 – Cash and cash equivalents**

The Company has the following balances with bank as on 30 September, 2023 and 2022:

|                               | <b>2023</b>   | <b>2022</b>   |
|-------------------------------|---------------|---------------|
| Bank of America Checking 3229 | 44,781        | 10,359        |
| Bank of America Supplies 6332 | 17,523        | 5,717         |
|                               | <u>62,304</u> | <u>16,076</u> |

**Note 5 – Intangibles**

As of September 30, 2023 and 2022, the Company has the following intangible assets:

|                                | <b>2023</b>  | <b>2022</b>  |
|--------------------------------|--------------|--------------|
| Intangibles                    | 6,750        | 6,750        |
| Less: Accumulated amortization | -1,575       | -788         |
|                                | <u>5,175</u> | <u>5,962</u> |

**Note 6 – Due to related party**

Alset LLC is a related party to Alset Auto Development as the management of both the entities are same. During the year, the Company has entered into transactions with Alset LLC and has a balance of \$132,657 as on 30 September, 2023.

**Note 7 – Subsequent events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are issued or available to be issued. The Company has evaluated subsequent events through 2nd November, 2023, which is the date the financial statements were issued.

# **Alset Auto Development, LLC**

## **Financial Statements**

**Fiscal Year Ended October 1, 2021 through September 30, 2022**

**(With Independent Auditors' Report Thereon)**

**Alset Auto Development, LLC**

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## **Independent Auditors' Report**

To the stockholders  
Alset Auto Development, LLC.  
Oregon

We have audited the accompanying financial statements of Alset Auto Development, LLC. which comprise the balance sheets as of fiscal year ended October 1, 2021 through September 30, 2022, and the related statements of operations, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. 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 Alset Auto Development, LLC. as of fiscal year ended October 1, 2021 through September 30, 2022 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

MCKENZIE FORENSIC AUDITORS, INC

A handwritten signature in cursive script, appearing to read "R. McKenzie", is written in a light gray or blue ink.

Oregon

October 26, 2022

# Alset Auto Development LLC

## Balance Sheet

As of September 30, 2022

|                                        | <u>Total</u>         |
|----------------------------------------|----------------------|
| <b>ASSETS</b>                          |                      |
| <b>Current Assets</b>                  |                      |
| <b>Bank Accounts</b>                   |                      |
| 1000 Bank of America Checking 3229     | 10,359.29            |
| 1010 Bank of America Supplies 6332     | 5,716.64             |
| <b>Total Bank Accounts</b>             | <b>\$ 16,075.93</b>  |
| <b>Other Current Assets</b>            |                      |
| 1410 Franchise Fees                    | 40,000.00            |
| 1420 Inventory                         | 22,345.09            |
| <b>Total Other Current Assets</b>      | <b>\$ 62,345.09</b>  |
| <b>Total Current Assets</b>            | <b>\$ 78,421.02</b>  |
| <b>Fixed Assets</b>                    |                      |
| 1600 Website Development               | 7,263.40             |
| <b>Total Fixed Assets</b>              | <b>\$ 7,263.40</b>   |
| <b>TOTAL ASSETS</b>                    | <b>\$ 85,684.42</b>  |
| <b>LIABILITIES AND EQUITY</b>          |                      |
| <b>Liabilities</b>                     |                      |
| <b>Current Liabilities</b>             |                      |
| <b>Other Current Liabilities</b>       |                      |
| 2040 Due to Alset LLC                  | 152,744.87           |
| <b>Total Other Current Liabilities</b> | <b>\$ 152,744.87</b> |
| <b>Total Current Liabilities</b>       | <b>\$ 152,744.87</b> |
| <b>Total Liabilities</b>               | <b>\$ 152,744.87</b> |
| <b>Equity</b>                          |                      |
| <b>3300 Partner's Equity</b>           |                      |
| 3310 Marcus Brown                      | -19,728.50           |
| 3320 Philip Bunting                    | -29,592.75           |
| <b>Total 3300 Partner's Equity</b>     | <b>-\$ 49,321.25</b> |
| 3800 Retained Earnings                 | -16,335.35           |
| Net Income                             | -1,403.85            |
| <b>Total Equity</b>                    | <b>-\$ 67,060.45</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>    | <b>\$ 85,684.42</b>  |



# Alset Auto Development LLC

## Profit and Loss

October 31, 2021 - September 30, 2022

|                                        | <u>Total</u>         |
|----------------------------------------|----------------------|
| <b>Income</b>                          |                      |
| 4000 Initial Franchise Fee             | 90,000.00            |
| 4100 Monthly Royalty & Adv Fund Fees   | 31,404.00            |
| 4150 Supply Sale Income                | 16,681.15            |
| <b>Total Income</b>                    | <b>\$ 138,085.15</b> |
| <b>Cost of Goods Sold</b>              |                      |
| 5200 Franchise Shop Supplies           | 6,805.92             |
| <b>Total Cost of Goods Sold</b>        | <b>\$ 6,805.92</b>   |
| <b>Gross Profit</b>                    | <b>\$ 131,279.23</b> |
| <b>Expenses</b>                        |                      |
| 6005 Advertising & Marketing           | 35,931.07            |
| 6020 Auto Expense                      | 2,146.76             |
| 6100 Bank Charges & Fees               | 422.20               |
| 6190 Dues & subscriptions              | 2,196.45             |
| 6200 Franchisee Background Screening   | 1,556.21             |
| 6210 Franchisee Gifts                  | 1,469.32             |
| 6400 Legal & Professional Services     | 32,108.25            |
| 6460 Meals & Entertainment             | 6,392.28             |
| 6500 Office Supplies & Software        | 4,345.37             |
| 6510 Office Equipment                  | 3,236.47             |
| 6520 Postage & Delivery                | 1,103.22             |
| 6590 Sales Representative              | 22,000.00            |
| 6600 Taxes & Licenses                  | 450.00               |
| 6610 Local                             | 100.00               |
| 6612 State-FL                          | 100.00               |
| 6615 State-OR                          | 250.00               |
| <b>Total 6600 Taxes &amp; Licenses</b> | <b>\$ 900.00</b>     |
| 6700 Travel                            |                      |
| 6710 Airfare                           | 9,176.04             |
| 6720 Lodging                           | 8,377.38             |
| 6730 Meals                             | 4,742.53             |
| 6740 Transportation                    | 2,214.40             |
| <b>Total 6700 Travel</b>               | <b>\$ 24,510.35</b>  |
| 6900 Video Production                  | 28,860.00            |
| <b>Total Expenses</b>                  | <b>\$ 167,177.95</b> |
| <b>Net Operating Income</b>            | <b>-\$ 35,898.72</b> |
| <b>Net Income</b>                      | <b>-\$ 35,898.72</b> |

ALSET AUTO DEVELOPMENT, LLC  
STATEMENT OF STOCKHOLDER'S EQUITY  
YEAR FISCAL YEAR ENDED OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022

|                               | Partners<br>Contribution | Retained<br>Earnings | Total Stockholders'<br>Equity |
|-------------------------------|--------------------------|----------------------|-------------------------------|
| Balance October I , 2021      | 49,325                   | 16,335               | 65,660                        |
| Net Income                    |                          |                      | -                             |
| Balance September 30,<br>2022 | 49,325                   | 16,335               |                               |
| Net income (Loss)             |                          | 1,404                | 1,404                         |
| Balance September 30,<br>2022 | 49,325                   | 17,739               | 67,064                        |

# Alset Auto Development LLC

## Statement of Cash Flows

October 31, 2021 - September 30, 2022

|                                                                               | <b>Total</b>        |
|-------------------------------------------------------------------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                                                   |                     |
| Net Income                                                                    | -35,898.72          |
| Adjustments to reconcile Net Income to Net Cash provided by operations:       |                     |
| 1410 Franchise Fees                                                           | -40,000.00          |
| 1420 Inventory                                                                | -22,345.09          |
| 2040 Due to Alset LLC                                                         | 73,909.35           |
| Total Adjustments to reconcile Net Income to Net Cash provided by operations: | <b>\$ 11,564.26</b> |
| Net cash provided by operating activities                                     | <b>24,334.46</b>    |
| <b>INVESTING ACTIVITIES</b>                                                   |                     |
| 1300 Vehicles                                                                 | 0.00                |
| 1600 Website Development                                                      | -4,100.77           |
| 1800 Organizational Costs                                                     | 5,028.75            |
| Net cash provided by investing activities                                     | <b>\$ 927.98</b>    |
| Net cash increase for period                                                  | <b>23,406.48</b>    |
| Cash at beginning of period                                                   | 39,482.41           |
| Cash at end of period                                                         | <b>\$ 16,075.93</b> |

**(1) Business**

Alset Auto Development LLC. (the Company) is a corporation organized and incorporated on September 11, 2020 under the laws of the State of Oregon.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Accounting**

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America.

**(b) Line of Business**

At ALSET Auto, we believe that you can be successful in just about any industry if you're willing to work hard enough. But we also believe that it is much easier to be successful in an industry in which the demand is growing, the need is urgent and the competition is scarce.

We're committed to positioning our franchisees to take advantage of one the most significant economic trends of today and tomorrow. After decades of fits and starts, the auto industry is now moving, inexorably, toward electric vehicles. And leading that movement, is Tesla. Already, there are over 1.5 million Teslas on the road. And that number will grow by more than 33% this year alone. At Alset, we serve this exploding Tesla market by simply helping owners and enthusiasts protect their investment and maintain the look of their vehicles for years to come.

In the business world, we've all become familiar with terms like "ground floor opportunities" or "he got into it in the early days". You know, the terms that always seem to apply to some other lucky person and not to you. Today, ALSET Auto franchisees are uttering those same phrases when talking about themselves and reaping the rewards of their vision – a vision they share with everyone at Alset – that more and more Americans every day are going to be buying Teslas. And they're going to need to maintain them. With the ever-growing concern for our environment, the need for and interest in electric vehicles is here to stay.

Our franchisees are building thriving businesses and enjoying unparalleled success. Why are Alset franchisees so happy?

**(c) Revenue Recognition**

**Franchise Sales** – The Company recognizes the revenue from the sale of franchises with an appropriate provision for estimated uncollectible amounts when all the material services or conditions relating to the sale have been substantially performed or satisfied by the franchisor (i.e., the Company).

Substantial performance for the franchisor means that (a) the franchisor has no remaining obligation or intent - by agreement, trade practice, or law - to refund

any cash received or forgive any unpaid notes receivable; (b) substantially all of the initial services of the franchisor required by the franchise agreement have been performed; and (c) no other material conditions or obligations related to the determination of substantial performance exist.

***Franchise Fees (i.e., Royalties)*** - Continuing franchise fees are recognized as revenue when earned and become receivable from the franchisee.

## **(2) Summary of Significant Accounting Policies, Continued**

### ***(d) Income Taxes***

The Company is obligated to pay corporate income taxes. Accordingly, a provision for tax expense or benefit for federal income taxes has been included in the accompanying financial statements. The Company has adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109," (FASB ASC 740-10). This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carry-forwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities or a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax assets will not be realized.

The Company recognizes the amount of taxes payable or refundable for the

current year and recognizes deferred tax liabilities and assets for the expected future tax consequences of events and transactions that have been recognized in the Company's financial statements or tax returns.

The Company assesses its income tax positions, including its continuing tax status as a corporation, based on managements' evaluation of the facts, circumstances and information available at the reporting date. The Company uses the prescribed more likely than not threshold when making its assessment. At adoption, the Company did not record any cumulative effect adjustment, and the Company did not accrue any interest expense or penalties related to tax positions. There are no open Federal or state tax years under audit.

**(2) Summary of Significant Accounting Policies, Continued**

***(e) Advertising and Sales and Marketing***

The Company expenses advertising and sales marketing cost as they are incurred. Advertising and sales and marketing expenses totaled \$13,637 for the years ended September 30, 2021 respectively, and are recorded as sales and marketing expenses on the accompanying statements of operations.

***(f) Use of Estimates***

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. One such use of estimates is the calculation of liability caused by accrued management contracts. This liability represents the estimated obligation of the Company at September 30, 2021 to purchase management contracts needed to fulfil franchise sale obligations.

***(g) Subsequent Events***

The Company has performed an evaluation of subsequent events through November 08, 2021, which is the date the financial statements were available to be issued.

**(3) Concentration of Risk**

Management contracts that are or will be offered in the franchise are currently associated with Tesla markets. Tesla isn't known for launching new paint colors.

**ALSET AUTO DEVELOPMENT, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022**

The automaker basically offers one free color, Pearl White Multi-Coat, and four other basic colors that cost extra. All the colors arguably look nice, though many people believe Tesla has issues with its paint, or at least its paint shop in Fremont, California. For this reason, it's not uncommon for Tesla have to option of using a company let Alset Auto Development, LLC

**EXHIBIT D**

**ALSET OPERATIONS MANUAL**

**TABLE OF CONTENTS**





## **FRANCHISE OPERATIONS MANUAL**

### **Table of Contents 227 Pages**

Preface for Manual (7 Pages)

The Manual Organization (P-1)

The Purpose of this Manual (P-2)

The Importance of Confidentiality (P-3)

Keeping the Operations Manual Current (P-4)

Submitting Suggestions to ALSET Automotive Home Office (P-5)

Requesting a Variance (P-6)

Manual Disclaimer (P-7)

### **b. INTRODUCTION (17 Pages)**

Mission Statement (A-1)

Welcome Letter (A-2)

History of ALSET Automotive (A-4)

Services Provided to the ALSET Automotive Franchisee (A-5)

Responsibilities of the ALSET Automotive Franchisee and Staff (A-8)

Visits from the Home Office (A-11)

Paying Other Fees (A-13)

## **B. PRE-OPENING PROCEDURES (31 Pages)**

Introduction (B-1)

Pre-Opening Timeline & Checklist (B-2)

Business Planning (B-4)

Establishment of Business Form and Operation (B-6)

Market Analysis (B-7)

Setting Up Your Facility (B-10)

- Space Requirements (Ventilation)

- Space Acceptance

- Buildout/Setting up the Facility (e.g. equipment, technology, design specifications, etc.)

Required List of Equipment (B-19)

Initial Inventory and Required Minimum Purchases (B-20)

Tesla Vehicle Specifications (B-21)

Contracting with Required Utilities and Services (B-)

Obtaining Required Licenses and Permits (B-23)

Setting Up Bank Accounts (B-24)

Procuring Required Insurance Policies (B-25)

Meeting Your Tax Obligations (B-26)

Conducting a Grand Opening (B-28)

## **C. PEOPLE DEVELOPMENT (69 Pages)**

Introduction (C-1)

EEOC Guidelines in Hiring Employees (C-2)

Wage and Labor Laws (C-6)

Immigration Reform Act (C-11)

- I-9 Form Requirement

## **C. PEOPLE DEVELOPMENT (continued)**

Working with Independent Contractors (C-13)

Profile of the Ideal ALSET Automotive Employee (C-16)

Job Descriptions (C-20)

- Manager/Franchisee
- Lead Technician
- Technician
- Administration

Recruiting Employees (C-21)

- Getting the Word Out
- Testing/Screening Procedures
- Reference Check Procedures
- Background Check Procedures

The Interview Process (C-25)

- Sample Interview Questions
- Completing the Interview Report

Hiring on a Trial Period (C-36)

Training Employees (C-37)

- Orientating New Employees
- Initial Training of New Employees
- Required Certification
- Ongoing Training Process

Personnel Policies (C-46)

Time-Tracking Procedures (C-52)

Uniform and Dress Code (C-53)

Conducting Performance Evaluations (C-55)

Progressive Discipline Procedures (C-60)

Separation/Termination Procedures (C-65)

1. **SALES PROCEDURES (29 Pages)**

Introduction (D-1)

The Tesla Customer (D-2)

Proper Handling of Incoming Calls (D-4)

ALSET Automotive Product and Service Knowledge (D-6)

- Paint Protection Film
- Ceramic Paint Protection
- Interior Vinyl and Chrome Delete
- Tint
- Rim Savers
- Handwash

Preparing for Sales Activities (D-8)

- Targeting Prospects
- Finding the Decision-Maker
- Understanding Your Competition
- Understanding ALSET Automotive Competitive Advantages

The ALSET Automotive Sales Presentation (D-12)

- Assessing Needs
- Detailing Solutions
- Features, Advantages, and Benefits of ALSET Automotive

ALSET Automotive Estimating Process (D-20)

- Calculating Prices and Developing the Bid
- Completing the Proposal Form
- Handling Pricing Objections

Closing the Sale (D-22)

- Asking for the Job
- Handling Objections
- Discussing Alternatives
- Completing Contracts Properly

Prospect Management (D-24)

- Follow-Up Procedures
- Generating Prospect Management Reports

Looking for Referral Business Opportunities (D-27)

## **OFFICE PROCEDURES (28 Pages)**

Introduction (E-1)

Suggested Hours of Operation (E-2)

Customer Service Procedures (E-3)

- Customer Service Philosophy
- Obtaining Customer Feedback
- Handling Customer Complaints
- Handling Refund Requests
- ALSET Automotive Warranty

Scheduling Services (E-12)

Managing the ALSET Automotive Retail Area (E-15)

- ALSET Automotive Merchandising Standards

Inventory Management (E-17)

- Product Ordering Procedures
- Ordering from Approved Suppliers
- Changing Approved Suppliers
- Product Receiving Procedures
- Product Storage Procedures

Franchise Reporting Requirements (E-22)

- Paying Royalty
- Advertising Contributions
- Required Weekly Reports
- Financial Statements

Required Equipment and Vehicle Maintenance (E-24)

- Daily Cleaning and Maintenance
- Weekly Cleaning and Maintenance
- Monthly Cleaning and Maintenance

## **SERVICE PROCEDURES (25 Pages)**

Introduction to the ALSET Automotive Service Process (F-1)

The Drop-Off (F-2)

## **F. SERVICE PROCEDURES (continued)**

### **Pre-Service Steps (F-4)**

- Assessing the Requirements of the Service
- Required Equipment for Service
- Required Tools for Service
- Prepping the Vehicle for Service

### **Performing Service on Vehicles (F-7)**

- Paint Protection Film
- Ceramic Paint Protection
- Interior Vinyl and Chrome Delete

### **Post-Service Steps (F-13)**

- Reviewing the Job
- Performing the Post-Job Inspection with the Customer

### **The Pickup (F-15)**

- Completing the Invoice
- Accepting/Processing Payment
- Performing the Post-Job Inspection with the Customer
- Communicating Aftercare Instruction

### **Application Paperwork (F-19)**

### **Technical Updates (F-21)**

- Technical Update Communication

### **Safety Procedures (F-22)**

- Safety Issues (Ventilation)
- Safety Data Sheets (SDS)

## **MARKETING (27 Pages)**

### **Introduction (G-1)**

### **Developing a Marketing Plan (G-2)**

### **Promoting ALSET Automotive in Your Area (G-9)**

- Use of Media (Social Media, Traditional, etc.)
- Using Referrals to Build Business (Repair Shops, Electricians)
- Trade Shows
- Networking through Local Organizations

**G.     MARKETING (continued)**

Guidelines for Using ALSET Automotive Marks (G-16)

Signage and Logo Specifications (G-18)

    Vehicle Signage

Required Advertising Expenditures (G-20)

    System-wide Advertising Contribution

    Local Marketing

    Grand Opening Advertising Requirement

Public Relations (G-22)

Community Involvement (G-25)

Obtaining Advertising Approval (G-26)

**EXHIBIT E**  
**FRANCHISED OUTLETS**

**Franchisees:**

| Franchisee                                            | Location                                                        | Contact Information                                                                  |
|-------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Cris Townsend                                         | 2636 Walnut HI Ln<br>Suite 110B<br>Dallas, TX 75229             | cris@alsetauto.com                                                                   |
| Grant Krufft                                          | Scottsdale, AZ                                                  | grantkrufft@gmail.com                                                                |
| Zahir Ahmad                                           | 4141 Citrus Ave<br>Unit 5<br>Rocklin, CA 95677                  | zahir@alsetauto.com                                                                  |
| John Mansou                                           | 9136 De Soto Ave<br>Chatsworth, CA 91311                        | john@alsetauto.com                                                                   |
| Kyle Holt                                             | 2443 Cades Way<br>Suite 101<br>Vista, CA 92081                  | kyle@alsetauto.com                                                                   |
| Matt LeFabvre                                         | 7035 West Sahara Ave<br>Unit 410<br>Las Vegas, NV 89117         | matt@alsetauto.com                                                                   |
| Ryan Bolling<br>Javier Medrano                        | 5353 W Sam Houston<br>Parkway<br>Suite 160<br>Houston, TX 77041 | ryan@alsetauto.com<br>javier@alsetauto.com                                           |
| Cris Townsend<br>Jon Lamb<br>Chad Misne<br>Marco Leal | 311 E St. Elmo Road<br>Suite I<br>Austin, TX 78745              | cris@alsetauto.com<br>jon@alsetauto.com<br>chad@alsetauto.com<br>marco@alsetauto.com |



| Franchisee                  | Location                                                 | Contact Information                        |
|-----------------------------|----------------------------------------------------------|--------------------------------------------|
| Seth Caplan                 | 95 Eames St<br>Framingham, MA 01702                      | seth@alsetauto.com                         |
| Nikkia Starks<br>Tony Jones | 300 Technology Court SE<br>Suite 500<br>Smyrna, GA 30082 | nikkia@alsetauto.com<br>tony@alsetauto.com |
| Rob Orolfo                  | 5105 Philips HWY<br>Unit 302<br>Jacksonville, FL 32207   | rob@alsetauto.com                          |
| Rob Orolfo<br>Mark Elliot   | 45 Skyline Drive<br>Suite 1017<br>Lake Mary, FL 32746    | rob@alsetauto.com<br>mark@alsetauto.com    |

**Franchise Agreements Signed But Outlets Not Yet Open:**

|                |               |                              |
|----------------|---------------|------------------------------|
| Robert Truett  | Miami, FL     | rob@truettrealty.com         |
| Scott Austin   | Riverside, CA | ScottWilliamAustin@yahoo.com |
| David Phillips | Raleigh, NC   | dphil911@gmail.com           |

**EXHIBIT F**  
**STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

The Department of Financial Protection and Innovation for the State of California requires that certain provisions contained in franchise documents be amended to be consistent with California Franchise Investment Law, Cal. Corp. Code Section 31000 et seq., and of the Rules and Regulations promulgated thereunder. To the extent that this Disclosure Document contains provisions that are inconsistent with the following, such provisions are hereby amended.

1. 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.

2. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

3. Item 3 is amended to add:

Neither Franchisor nor any person described in Item 2 of the Disclosure Document 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. 8.78(a) et seq. suspending or expelling such persons from membership in such association or exchange.

4. Item 17 is amended to state:

(a) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

(b) 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.

(c) The franchise agreement contains a liquidated damages clause. Under California Civil Code section 1671, certain liquidated damages clauses are unenforceable.

(d) The Franchise Agreement requires application of the laws of Oregon. This provision may not be enforceable under California law.

(e) California Business and Professions Code sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(f) Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

(g) You must sign a general release if you renew or 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 Provisions Code

§20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

5. The highest interest rate allowed by law in California is 10% annually.
6. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the Cartwright Act. As long as this represents the law of the State of California, we will not interpret the Franchise Agreement as permitting or requiring maximum price limits.
7. The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commisisoner has imposed a requirement for us to maintain a surety bond under California Corporations Code section 31113 and 10 C.C.R. section 310.113.5, which must remain in effect during our registration period. The surety bond is in the amount of \$40,000 with Nationwide Mutual Insurance Company and is available for you to recover your damages in the event we do not fulfill our obligations to you to open your franchised business. We will provide wyou with a copy of the surety bond upon your request.

## **ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

The Office of Attorney General for the State of Maryland requires that certain provisions contained in franchise documents be amended to be consistent with Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Maryland Franchise Law”). To the extent that this Disclosure Document or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. No requirement that you agree to any release, assignment, novation, estoppel or waiver of liability as a condition to your purchasing a Alset Auto franchise shall act as a release, estoppel or waiver of any liability under the Maryland Franchise Law.
2. Item 17 is amended to state:
  - (a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
  - (b) Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law.
  - (c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).
  - (d) Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

**THE REGISTRATION OF THIS FRANCHISE DISCLOSURE DOCUMENT WITH MARYLAND SECURITIES DIVISION OF THE OFFICE OF ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE SECURITIES COMMISSIONER.**

**AMENDMENT TO THE ALSET AUTO FRANCHISE AGREEMENT REQUIRED BY THE  
STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Alset Auto Franchise Agreement (the “Franchise Agreement”) agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee’s assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 5 or Section 16.3 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 17.1 of the Franchise Agreement is hereby amended to further state:

“Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).”

3. To the extent of any inconsistencies, Section 20.3 of the Franchise Agreement is hereby amended to further state:

“Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.”

4. To the extent of any inconsistencies, Section 20.6 of the Franchise Agreement is hereby amended to further state:

“Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.”

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

7. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[Signature Page to Follow]



The parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Alset Auto Development, LLC

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

\_\_\_\_\_,  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person

from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for a franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum,”** and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 *et seq.*), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

The following statements are added to Item 17.h.

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

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$98,244 - \$171,994. This amount exceeds the franchisor’s stockholder’s equity as of September 30, 2022, which is \$67,064.

## EXHIBIT G

### ALSET AUTO ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement (or Multi-Unit Development Agreement). Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

**No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.**

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are

made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee (or Developer) acknowledges that it has received the Alset Auto Development, LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's

obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee’s (or Developer’s) Territory by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE’S (OR DEVELOPER’S) AND SUCH PRINCIPAL’S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE ALSET AUTO DEVELOPMENT LLC, PHILIP BUNTING, ALSET AUTO, LLC, AND ANY OF THE ABOVE’S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES’ DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR’S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

\_\_\_\_\_  
Initial

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name, Title)

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

## STATE EFFECTIVE DATES – 2024

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

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

| <b><u>STATE</u></b> | <b><u>EFFECTIVE DATE</u></b> |
|---------------------|------------------------------|
| California          | Approved                     |
| Illinois            | Pending                      |
| Maryland            | Pending                      |
| Minnesota           | Pending                      |
| Virginia            | Pending                      |
| Washington          | Pending                      |

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



## **EXHIBIT H**

### **RECEIPT**

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

If Alset Auto Development LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Alset Auto Development LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

|                                                                                            |                                                                                            |  |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--|
| Phil Bunting<br>135 NE 12 <sup>th</sup> Avenue<br>Portland, Oregon 97232<br>(503) 255-6666 | Marcus Brown<br>135 NE 12 <sup>th</sup> Avenue<br>Portland, Oregon 97232<br>(503) 255-6666 |  |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--|

Issuance Date: **December 14, 2023**

I received a Disclosure Document dated \_\_\_\_\_, that included the following Exhibits:

EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process  
EXHIBIT B-1: Franchise Agreement with Attachments 1-10  
EXHIBIT C: Financial Statements of Alset Auto Development LLC  
EXHIBIT D: Operations Manual Table of Contents  
EXHIBIT E: Outlets as of the date of this Disclosure Document  
EXHIBIT F: State Addenda  
EXHIBIT G: Alset Auto Acknowledgment Statement  
EXHIBIT H: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Please return signed receipt to ALSET AUTO DEVELOPMENT LLC  
135 NE 12<sup>th</sup> Avenue  
Portland, Oregon 97232

**EXHIBIT H**

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(If other than date signed)

DATE: \_\_\_\_\_

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

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

City, State: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

**KEEP FOR YOUR RECORDS**