FRANCHISE DISCLOSURE DOCUMENT

Brake Masters Systems, Inc.
an Arizona corporation
6179 East Broadway Boulevard
Tucson, Arizona 85711
(520) 512-0000
www.brakemasters.com

You will operate a brake repair and service store that also offers lube, oil and filter services.

The total investment necessary to begin operations of a Brake Masters Systems, Inc.'s franchised business ranges from $167,450 to $298,950 for someone having an existing automotive repair business, and from $227,200 to $652,150 for a start-up business. These estimates do not include real estate expenses. This includes the initial franchise fee of $22,950, and pre-opening purchases ranging from $0 to $193,609, that must be paid to our affiliates or us. If you elect to enter into a Multi-Store Amendment, you will pay Brake Masters Systems, Inc. a development fee equal to 50% of the initial franchise fee for each additional Brake Master's store (excluding your first store). This fee is not refundable, but is credited fully against the initial franchise fee for each store as it is developed (except the first store).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Eric Laytin at 6179 East Broadway Boulevard, Tucson, Arizona 85711, (520) 512-0000.

The terms of your contract will govern you 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 an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise,"* which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at

www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: February 10, 2020

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E and F.
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 describe the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit G 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 Brake Masters Systems 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 has been involved in material litigation or bankruptcy proceedings.
What's it like to be Brake Masters Systems franchisee?	Item 20 or Exhibits E and F list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 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 Arizona. 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 Arizona than in your own state.
2. **Spousal Guarantee.** If a business entity is buying this franchise each owner and his/her spouse must personally guarantee all obligations of the Franchise Agreement thereby placing marital and personal assets at risk.

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.

TABLE OF CONTENTS

Section		Page
ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	2
ITEM 2	BUSINESS EXPERIENCE	3
ITEM 3	LITIGATION	4
ITEM 4	BANKRUPTCY	4
ITEM 5	INITIAL FEES	4
ITEM 6	OTHER FEES	6
ITEM 7	ESTIMATED INITIAL INVESTMENT	8
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	10
ITEM 9	FRANCHISEE'S OBLIGATIONS	13
ITEM 10	FINANCING	15
ITEM 11	FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	15
ITEM 12	TERRITORY	23
ITEM 13	TRADEMARKS	25
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	27
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	27
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	28
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	29
ITEM 18	PUBLIC FIGURES	31
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	32
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	32
ITEM 21	FINANCIAL STATEMENTS	36
ITEM 22	CONTRACTS	36
ITEM 23	RECEIPTS	36

Exhibit A - State Agencies
Exhibit B - State Law Addendum
Exhibit C - Franchise Agreement and its Exhibits:
  Exhibit 1 - Terms
  Exhibit 2 - Guaranty
  Exhibit 3 - Confidentiality and Noncompetition Agreement
  Exhibit 4 - Confidentiality Agreement
Exhibit D - Multi-Store Amendment
Exhibit E - Entire Marketing Area Addendum to Multi-Store Amendment
Exhibit F - Real Estate Documents
Exhibit G - Tables of Contents of Manuals
Exhibit H - Franchisees
Exhibit I - Former Franchisees
Exhibit J - Financial Statements
Exhibit K - Agents for Service of Process
Exhibit L - Area Representative Agreement with L-2 Enterprises, Inc.
Exhibit M - Receipt for Completed Documents
Exhibit N - Confirmation of Sales Procedures

STATE EFFECTIVE DATES
RECEIPTS (2 copies)

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

To simplify language in this Disclosure Document, "BMSI," "we" and "us" mean BRAKE MASTERS SYSTEMS, INC., the franchisor. "You" means the person or entity who buys the franchise. If you are a partnership, corporation or other entity, "you" sometimes includes your officers, directors, general partners and owners.

BMSI

BMSI is an Arizona corporation doing business under the trade name BRAKE MASTERS, with its principal offices located at 6179 East Broadway Boulevard, Tucson, Arizona 85711. BMSI was incorporated on December 3, 1990 and commenced activity on December 3, 1991.

BMSI's agents for service of process are listed in Exhibit K.

Parents

BMSI has no parent entities.

BMSI's Affiliates

BMSI has no predecessor. Brake Warehouse, LLC, an Arizona limited liability company which was formed on August 23, 1994, which previously had sold products to BMSI's franchisees, other affiliates and the public was closed in February, 2016. Another affiliate, Heights Properties, LLP, formed on July 19, 1996 as an Arizona general partnership and converted to an Arizona limited liability partnership on July 19, 2001, leases real estate to some of BMSI's franchisees. See Items 8 and 10. The principal offices of both these affiliates are located at 6179 East Broadway Boulevard, Tucson, Arizona 85711. None of BMSI's affiliates has ever offered franchises in any type of business.

Business Experience

BMSI is in the business of developing and franchising BRAKE MASTERS automobile brake and service stores which also offer lube, oil and filter services, utilizing comprehensive service methods, procedures, advertising formats, promotional plans and market research methods. BMSI began offering BRAKE MASTERS franchises in 1991, and has never offered franchises for any other type of business. BMSI itself has never operated any brake repair and service store. However, Auto Brakes, Inc., another affiliate of BMSI, opened the first BRAKE MASTERS store in 1983. Auto Brakes was incorporated in Arizona on July 25, 1983. Its principal office is also located at 6179 East Broadway Boulevard, Tucson, Arizona 85711. Following the closure of Brake Warehouse, LLC in February, 2016, Auto Brakes began selling BMSI's software to franchisees and may also sell certain other equipment to franchises. As of the end of its last fiscal year, BMSI had six affiliates operating 70 BRAKE MASTERS stores in five states, all substantially similar to the BRAKE MASTERS stores to be operated under the franchises currently being offered by BMSI. See Exhibit H for a list of BMSI's affiliates that operate BRAKE MASTERS stores and their store locations.

Franchised Business

Under the BMSI Franchise Agreement (the "Franchise Agreement"), which is Exhibit C to this Disclosure Document, you will have the right to establish and operate a single BRAKE

MASTERS brake repair and service store offering complete repair, replacement and maintenance of automotive brake systems, and lube, oil and filter services, to the public. Your store may also offer other automotive repair services if approved by BMSI. You must be open for business at least 60 hours per week. BMSI may grant you the right under a Multi-Store Amendment to develop additional stores. See Items 5 and 12.

Your competition will include local and national brake repair stores offering services substantially similar to BRAKE Masters stores, including other franchise businesses, service departments of national and regional chain and department stores, local service stations and motor vehicle dealerships. Some of your competitors may use red octagon shaped trademarks, and many of them may have long operating histories and greater financial resources or support than you.

Your BRAKE MASTERS brake repair and service store will be subject to all of the federal, state and local laws that apply to businesses generally, including minimum-age and minimum-wage laws, occupational and safety laws, and data privacy laws. In addition, your BRAKE MASTERS business will be subject to federal, state and local environmental laws regulating the storage and disposal of waste oil and other products used or collected in your business. These laws vary from place to place. You should investigate these matters further and consult with local authorities and your attorney about them.

ITEM 2
BUSINESS EXPERIENCE

BMSI

Director and President: Eric Laytin

From December 1990 to the present, Eric Laytin has been a Director of BMSI. From December 1990 through August 1997, and from March 1999 to the present, he has been the President of BMSI. Since July 1983, he has been a Vice President of Auto Brakes, Inc. Since September 1997, he has been a Vice President of Brake Masters Holdings SAC, Inc. doing business as Brake Masters of Sacramento, Inc.

Director, Executive Vice President and Treasurer: Shalom Laytin

Since March 1999, Shalom Laytin has been the Executive Vice President of BMSI. Since December 1990, he has been the Treasurer and a Director of BMSI. Since July 1983, he has been the President of Auto Brakes, Inc. Since September 1997, he has been the President of Brake Masters Holdings SAC, Inc. doing business as Brake Masters of Sacramento, Inc.

Chief Executive Officer: Richard Fortuno

Since February 2012, Richard Fortuno has been the Chief Executive Officer. From September 2001 to November 2008, Richard Fortuno was the Vice President of BMSI. From June 1995 to the present (with the exception of January through March of 2001), he has been BMSI's Director of Operations, responsible for franchise relations, operations and administration of BMSI's franchised system. Since January 2001, he has been a Vice President of Auto Brakes, Inc. He has been a Vice President of Brake Masters Holdings SAC, Inc., since January 2001.

Secretary: Sarah Laytin

Since December 1990, Sarah Laytin has been the Secretary of BMSI. Since January 1985, she has also been the Secretary and Treasurer of Auto Brakes, Inc.

Area Representative for Kern, Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties: L-2 Enterprises, Inc.

BMSI has engaged L-2 Enterprises, Inc., a California corporation, as an independent contractor to provide support and service to BMSI's franchisees in Kern, Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties in California. See Item 11 and Exhibit L.

President and Director: Israel Linder

Since December 1996, Israel Linder has been the President and a Director of L-2 Enterprises, Inc.

Chief Financial Officer and Director: Donald Goeres

Since February 2000, Donald Goeres has been the Chief Financial Officer and a Director of L-2 Enterprises, Inc.

Secretary and Director: Frank Peachey

Since February 2000, Frank Peachey has been the Secretary and a Director of L-2 Enterprises, Inc. Since 1998 Mr. Peachey has been Vice President and Sales Manager for Southern California Brake Masters.

ITEM 3
LITIGATION

No litigation, arbitration or administrative proceeding must be disclosed in this Disclosure Document.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5
INITIAL FEES

Franchise Fee

When you sign the Franchise Agreement, you must pay BMSI $22,950 as an initial franchise fee. BMSI waives the entire initial franchise fee for its affiliates having a 30% or greater common ownership with BMSI, and for experienced franchisees who simultaneously provide marketing and support services to our other franchisees in certain designated areas ("Area Representatives").

The initial franchise fees are reduced for additional BRAKE MASTERS stores opened under a multi-store amendment. The initial fee for a second store is $19,950, the third store is $16,950, and the fourth and all additional stores are $13,950.

Refunds

BMSI will refund a part of the initial franchise fee if your Franchise Agreement is terminated before your BRAKE MASTERS store opens, according to the following table:

Time Between Date of Agreement and Termination	Percent of Initial Franchise Fee to be Refunded
Up to 4 months	75%
Over 4 months and up to 8 months	50%
Over 8 months	0%

Purchases

You will incur certain additional expenses before you open your BRAKE MASTERS store. Auto Brakes has arrangements with vendors to buy certain equipment for its location and other affiliated stores. If you are unable to secure such equipment from an independent third party at a satisfactory price, then you may request that Auto Brakes that Auto Brakes purchase the equipment and sell it to you. Auto Brakes will provide you with the estimated cost before you place any order but the cost will include a fee for its time and effort as well as any shipping costs. You are not obligated to purchase any equipment from Auto Brakes. The cost of equipment purchased from Auto Brakes ranges from $0 (if you find all your equipment through third party vendors) to $164,500. See Items 7, 8 and 11.

Training

You and each of your managers must complete BMSI's training program at least two weeks before the opening of your BRAKE MASTERS store. BMSI does not charge tuition for this training for you and your first manager who take the training together. There is no free initial training in connection with any additional franchises you acquire. For each additional manager trained, BMSI will charge $1,000. BMSI may waive training requirements for former BMSI employees and existing franchisees of BMSI. See Item 11.

Multi-Store Amendment / Area Franchise

If you wish to develop and operate more than one BRAKE MASTERS store within an area, and if you qualify, you and BMSI may sign a Multi-Store Amendment to the Franchise Agreement permitting you to develop a specified number of additional stores, at locations you select, subject to BMSI's written approval. A copy of the Multi-Store Amendment is attached as Exhibit D to this Disclosure Document. A separate Franchise Agreement must be signed for each BRAKE MASTERS store. Under the Multi-Store Amendment, you will pay BMSI a development fee equal to 50% of the initial franchise fee for each BRAKE MASTERS store to be opened pursuant to the Amendment (excluding your first store) upon signing the Multi-Store Amendment. This fee is not refundable, but is credited fully against the initial franchise fee for each store as it is developed (except the first store), reducing the initial franchise fee for each future store by 50%. See Item 12.

ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Royalties FA § 4.2 (Note 3)	5% of gross sales; waived for BMSI's affiliates (at least 30% common ownership) and Area Representatives	Payable monthly on the 10th day of the next month	Gross sales means total revenues from all goods and services sold for cash or credit, less sales taxes and refunds.
Advertising and Support Fees FA § 4.3.3	1% of gross sales	Same as for Royalty Fees	See Item 11.
System Advertising Fees FA § 4.3.4	4% of gross sales	Same as for Royalty Fees	Not currently being collected. Until collected, you must spend this amount for local advertising. When collected, may be used to reimburse you for your advertising costs. See Item 11.
National Advertising Fees FA § 4.3.5	Up to 1% of gross sales when there are 400 BRAKE MASTERS stores; up to 2% of gross sales when there are 500 BRAKE MASTERS stores	Same as for Royalty Fees	Not currently being collected. See Item 11.
Advertising Cooperative Assessments FA §§ 4.3.2 & 11.4.1	Established by your Advertising Cooperative	Set by your Advertising Cooperative	Payments are made to the Cooperative, but BMSI may collect any unpaid assessments on behalf of the Cooperative. (Note 4)
Real Estate Lease Payments	Rent estimated at $4,000 to $10,000 per month depending on location	Monthly as provided in Lease	See Item 12.
Software Support FA § 8.5.6 (Note 5)	Then current hourly or fixed charges depending on the nature of the services provided	Payable monthly on the 10th day of the month	See Item 11.
Manager Training FA § 8.1.4	$1,000	In advance	BMSI trains you and your first store manager at the same time at no charge. See Item 11.
Reimbursement for Warranty Work FA § 6.7	Currently cost of part plus 20% markup, plus 75% of customary labor charges if within 90 day labor warranty period	Upon billing	Percentages subject to change; payable to BMSI and its affiliates if they perform warranty work on standard warranties you issue.
Continuing Training FA § 8.2	$250 per person per class	In advance	BMSI may charge tuition for additional training programs.
Transfer FA § 10 MSA § 6	Greater of $3,500 or 15% of then current initial franchise fee; no fee if transfer is to a legal entity you control	Before transfer	Waived if you are a multi-store developer and the transfer is for a single store and to a legal entity you control.
Relocation FA § 3.5	BMSI's expenses	On demand	
Insurance FA § 6.6.2	BMSI's cost	When BMSI sends you invoice	You must reimburse BMSI if you fail to maintain required insurance and BMSI at its option purchases insurance for you.
Reimbursement for Curing Defaults FA § 12.6	Amount advanced by BMSI to cure your default	On demand	BMSI has no obligation to advance funds to cure your defaults.

Type of Fee (Note 1)	Amount	Due Date	Remarks (Note 2)
Audits FA § 4.5.4	BMSI's costs, expenses and overhead in connection with an examination of your records, estimated to be between $1,000 and $3,000	On demand	Payable if you under report your actual gross sales by 3% or more.
Delinquent Payments FA § 4.6	10% of amount due plus interest at maximum rate permitted by law, not to exceed 1.5% per month	Beginning on date of delinquency	
Indemnification FA § 7.1	Amount of BMSI's liabilities	As incurred	Covers claims and liabilities incurred by BMSI relating to your business.
Attorneys' Fees FA §§ 7.1 & 12.8	Amount incurred by BMSI	As incurred	Attorneys' fees and costs for indemnification or enforcing your Franchise Agreement.
Approval of Suppliers FA § 8.4	BMSI's costs, estimated to be $1,000	On demand	
Security Interests FA § 4.7	Amount of default	On default	
Taxes FA § 4.9	Amount of taxes imposed on your payments to BMSI when BMSI has no presence in your jurisdiction	On demand	
Guaranties FA § 4.8	Amount of default	On default	Certain individuals must personally guarantee your performance under the FA and associated agreements.

Notes:

1. Your initial franchise fee, and other initial payments to BMSI before you commence business as a BRAKE MASTERS store, are described in Item 5. The additional initial fees you will pay if you enter into a Multi-Store Amendment are also described in Item 5. Your payments to BMSI affiliates for purchases you choose to make from them are described in Item 8.

2. Unless otherwise noted, all fees in this table are imposed by and payable to BMSI. All fees are nonrefundable.

3. "FA" means the BMSI Franchise Agreement attached as Exhibit C to this Disclosure Document. "MSA" means the BMSI Multi-Store Amendment attached as Exhibit D to this Disclosure Document.

4. BMSI or one of its affiliates, as an operator of BRAKE MASTERS stores and a member of an advertising cooperative, may be asked by the cooperative to collect and administer the cooperative's advertising assessments. The advertising activities and the amount of assessments to be paid for programs and operations are determined separately by majority vote, with each store in the cooperative (including any stores operated by BMSI or its affiliates) having one vote. See Item 11. BMSI's affiliate has majority voting power in the Phoenix metropolitan area cooperative. The advertising assessments for the Phoenix metropolitan area cooperative were $2,000/store/month as of the date of this Disclosure Document.

5. In addition, you must enter into contracts with software vendors for monthly updating and support services, for which the current monthly fees are approximately $500.00. See Item 11.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Expenses	Estimated Dollar Ranges				Method of Payment/ Financing (Note 2)	When Due	To Whom Paid
	Conversion Business (Note 1)		Start-up Business				
	Low	High	Low	High			
PRE-OPENING:							
Initial Franchise Fee (Notes 3 and 4)	-0-	22,950	-0-	22,950	Lump sum	Upon signing Franchise Agreement	Franchisor
Travel (Note 5)	___	___	___	___	Lump sum	As incurred	Airlines
Living Expenses While Training (Note 6)	2,500	4,500	2,500	4,500	As incurred	During training	Hotels & Restaurants
Real Estate (Note 7)	---	---	---	---	Lump sum	Usually monthly	Seller, Landlord or BMSI Share-holders(s)
Leasehold Improvements (Note 8)	20,000	60,000	50,000	350,000	Lump sum	During and upon completion of construction	Contractors
Signage (Note 9)	23,300	30,000	23,300	30,000	Lump sum	As incurred	Vendor
Equipment (Note 10)	72,250	102,500	89,050	126,900	Lump sum	As incurred	Vendors and/or BMSI Affiliate
Inventory (Note 11)	20,200	30,000	20,200	30,000	Lump sum	As incurred	Vendors
Supplies (Note 12)	2,200	5,000	2,500	10,000	Lump sum	As insured	Vendors
Utility Deposits (Note 13)	-0-	-0-	1,000	5,000	Lump sum	As incurred	Utility Companies
Insurance (Note 14)	500	2,500	1,000	5,000	Lump sum	Semi-annually	Insurance Carriers
Professional Services (Note 15)	500	1,500	1,500	2,500	Lump sum	As incurred	Attorney/ Accountant
Licenses & Permits (Note 16)	-0-	-0-	150	300	Lump sum	As incurred	Government Authorities
Advertising (Note 17)	16,000	25,000	16,000	25,000	Lump sum & monthly	As incurred	Telephone Company and Media
ADDITIONAL OPERATING FUNDS FOR 3 MONTHS (Note 18)	10,000	15,000	20,000	40,000		As incurred	
TOTALS (Note 19)	167,450	298,950	227,200	652,150			

*Your estimated initial investment before you begin operating your BRAKE MASTERS business and for your first 3 months of operations are shown in this item.

Notes:

1. The costs to convert an existing automotive repair business to a BRAKE MASTERS store are much lower than the costs to start an entirely new business.

2. Financing may be available from an independent source for the establishment and operation of your BRAKE MASTERS store. See Item 10. Other than as disclosed in Item 10, neither BMSI nor its affiliates offer any other

direct or indirect financing to franchisees for any item. Payments for inventory, equipment, signage and supplies are typically due upon then current terms, but in no event longer than 90 days. None of the expenses shown in this chart are refundable with the exception of the initial franchise fee and the utility deposits which may be refundable.

3. The initial franchise fee is $22,950. If you and BMSI agree that you will open more than one BRAKE MASTERS store, you will incur additional initial fees. BMSI waives the initial franchise fee for affiliates and Area Representatives. See Item 5.

4. Between 0-75% of the initial franchise fee may be refundable under certain circumstances if the franchise is terminated before opening. See Item 5.

5. Transportation costs cannot reasonably be estimated as they vary significantly depending upon advance scheduling, your location, the number of people traveling, and the number of round trips made during the course of training.

6. Food and lodging expenses for one person for approximately 2 to 4 weeks in Tucson, Arizona. No estimate is included for car rentals or other personal expenses. The estimates should be increased if more than one person will be attending training.

7. You must purchase or lease the land and building for your BRAKE MASTERS store. Typical locations are free standing buildings and converted former gas stations or garages. A BRAKE MASTERS store typically has 2,500 to 5,000 square feet. **Rent can vary significantly depending on factors such as size, condition, location of the property, local market conditions and tax rates.** Based on the experience of its affiliates and other franchisees in Arizona, Albuquerque, New Mexico, Nevada, Texas, and Los Angeles County, California, BMSI estimates that rent may range from $60,000 to $144,000 per year (assuming there is no percentage rent) and that security deposits (which may be partially or wholly refundable) may range from $3,500 to $12,000. Because individual cases vary so widely, no estimates for real estate purchase payments, or rent and security deposits, are included in the chart of your estimated initial investment. An affiliate of BMSI may enter into a real estate lease with you. See Items 8 and 10.

8. The low estimate for a start-up business assumes the remodeling and build out of an existing building; the high estimate for a start-up includes the construction and build out of a free standing building. The estimates for converting an existing automotive repair business cover some remodeling, but no structural building modifications. In both cases the estimates include $2,000 to $4,000 for shipping costs. If the leasehold improvements or any other portion of your initial investment are financed, the initial investment will be reduced, but your working capital needs will increase to cover debt service on the loan. See note 18 below.

9. Includes the costs of interior and exterior BRAKE MASTERS signage packages; also includes the costs of installation. See Items 5 and 8.

10. You must have a computer system and license BMSI's proprietary and other specified software. This estimate includes approximately $2,500 to $5,000 for computer hardware, $3,144 for the initial software fees for the POS system and $2,400 annually for a comprehensive automotive repair information database. See Items 5 and 11. This estimate assumes that any additional equipment needed for conversion of an existing automotive repair business, and all equipment needed for a start-up business, will be purchased and paid for in full immediately. No debt service is included for any financing you may receive. The estimates include installation. Under special circumstances, you may elect to purchase certain available equipment from BMSI's affiliate. See Items 5 and 8.

11. See Items 5 and 8.

12. See Items 5 and 8.

13. Assumes no additional utility deposits for the conversion of an existing business; includes deposits for water, electricity, gas, telephone and other utilities for a start-up business. See note 7 above regarding real estate lease security deposits.

14. Estimated annual premium for "all risks" coverage on all real and personal property at 100% of replacement cost; comprehensive general liability coverage, with a combined single limit of $1,000,000 for personal injury and property damage; with a $2,500 deductible. Premiums for worker compensation insurance are included in this estimate (based on Arizona rates), but premiums for insurance other than property, liability and worker compensation are not included.

15. Obtaining legal and accounting services is not mandatory, but BMSI recommends that you obtain professional advice in the course of verifying these initial investment estimates locally, entering into the Franchise Agreement, setting up your BRAKE MASTERS store and complying with legal requirements.

16. Assumes that no additional licenses or permits are required for the conversion of an existing business.

17. Includes grand opening advertising of $15,000 to $25,000.

18. The estimate for additional operating funds includes funds to cover operating shortfalls and cash flow shortages during your first 3 months of business. The amount of additional operating funds was estimated from our and our affiliates' experiences in operating BRAKE MASTERS stores . We do not imply or guarantee that you will "break even" by any particular time. BRAKE MASTERS operated by BMSI's affiliates have not incurred these working capital shortfalls; however, because your experience might vary, these estimates are included. Estimated salaries for 4 employees and associated payroll taxes (at Arizona rates for state taxes) are considered, but a salary for you or a manager is not included. Estimated royalty fees and advertising and support fees are also considered. Utility expenses can vary significantly depending on location and season and have not been considered. No rent or real estate mortgage payments are considered. See note 7 above. No debt service is included for any financing you may obtain. See note 8 above. No equipment lease payments are included. See note 10 above.

19. Unless you are an affiliate of BMSI, or an Area Representative, for whom the initial franchise fee is waived, the low estimated initial investment will be increased by $22,950 for the initial franchise fee. These numbers are only estimates of the range of initial start-up expenses you may incur. The actual amount of additional funds you will need depends on a variety of factors, including the location of your business, whether you extend credit to your customers, the time of year when you start your business, your management skills, economic conditions, competition in your area, and other factors. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases from BMSI and Its Affiliate

Computer System

BMSI has developed proprietary software to be used for point of sale and inventory control functions, management of your customer and warranty information, and access to a parts catalog, and parts and labor pricing guidelines. You must license this software from BMSI's affiliate, Auto Brakes, Inc. See Item 11.

Additional Training

There is no charge for the initial training provided to you and one manager at the same time. You will be charged for each additional manager trained by BMSI. BMSI may also charge you tuition for future mandatory training programs. See Items 6 and 11.

BMSI and its affiliates are not otherwise the sole suppliers of any goods or services that you must purchase to establish or operate your BRAKE MASTERS store.

Optional Purchases from BMSI's Affiliate

Auto Brakes has arrangements with vendors to buy certain equipment for its location and other affiliated stores. If you are unable to secure such equipment from an independent third party at a satisfactory price, then you may request that Auto Brakes that Auto Brakes purchase the equipment and sell it to you. If Auto Brakes is able to supply the requested equipment, Auto Brakes will provide you with the estimated cost before you place any order. Any cost will include a fee for its time and effort as well as any shipping costs.

Purchases from Approved Suppliers

You must purchase all your BRAKE MASTERS signs from an approved supplier. See Item 5.

BMSI has negotiated an arrangement with Valvoline to permit all BRAKE MASTERS franchisees to receive discounted pricing based on the volume of their purchases. BMSI has also negotiated volume discount pricing from one approved supplier of brake parts for the benefit of all members of the BRAKE MASTERS system who choose to purchase parts from this vendor. From time to time, BMSI may negotiate discounts from vendors, including software vendors, for those franchisees who wish to participate. BMSI does not negotiate purchase arrangements or price terms with vendors for the benefit of any franchisees. BMSI does not provide any special benefits to you based on whether you make purchases from BMSI, its affiliates or approved suppliers.

A list of approved suppliers is included in the Getting Started and the Operations Manual (the "Manuals"). You may request that BMSI approve a new supplier. Based on information and samples from the supplier which you must furnish, BMSI will evaluate the vendor's products, financial capacity, business reputation, delivery performance, credit rating and other relevant criteria. BMSI does not disclose to franchisees its exact criteria for approving suppliers except for its consideration of the above categories. BMSI's review will typically be completed in 30 days. You must reimburse BMSI for its expenses incurred in considering your request to approve a new supplier. BMSI may revoke approval of a supplier by notice to you and the supplier. BMSI may also withdraw approval of any authorized vendor and require you to purchase equipment, inventory and/or supplies only from BMSI or an Affiliate. Except for purchases from our affiliates as discussed above, none of our officers owns an interest in any of our suppliers.

Purchases in Accordance with Specifications

Real Estate

You must follow our guidelines when selecting the site for your BRAKE MASTERS store. The guidelines will be given to you after both of us have signed your Franchise Agreement. Your selection of a site and your lease are subject to our prior written approval. See Item 11.

In certain circumstances, an affiliate of BMSI may purchase or lease the site for your BRAKE MASTERS store and lease it to you. See Item 12.

Personal Property

All leasehold improvements, fixtures, furnishings, computer hardware, equipment, inventory and supplies for your BRAKE MASTERS store must be purchased and installed in accordance with our standard plans and specifications. Following the signing of your Franchise Agreement, we will furnish you with one set of our guidelines for the design and appearance of your BRAKE MASTERS store and the equipment, inventory and supplies you must have. If you are unable to purchase certain equipment from third parties at a satisfactory price, you may request to purchase available items from our affiliate, Auto Brakes.

Services

You must obtain a new telephone number and a white pages telephone directory listing. It is optional for you to obtain a yellow pages listing or a yellow pages advertisement, although if you are required to participate in an area advertising cooperative, that cooperative may require

you to participate in an yellow pages listing or advertisement. All your advertising is subject to our prior written approval. You must submit a copy of proposed advertising to us for approval at least 5 days before using it. Our failure to respond within 5 days is deemed approval. You must maintain insurance and conform to our accounting and record keeping standards as specified in the Manuals. We will loan you one copy of the Manuals at the beginning of your initial training. We may make periodic revisions to the Manuals by providing copies of changes to you, and you must comply with all these changes. See Item 11.

We do not establish specifications for any other goods or services you purchase or lease to establish or operate your BRAKE MASTERS store.

Payments to BMSI by Vendors

Neither BMSI nor its affiliates currently receive any payments or material consideration from your purchases or leases from third party vendors. BMSI or its affiliates may, in the future, receive payments and/or advertising materials valued from 2% to 6% of the purchases made from vendors by BMSI or its affiliates for goods which they resell to franchisees. BMSI may also require rebate payments from a vendor as a condition of approval. All these payments and materials will be deposited with the Advertising and Support Fund. See Item 11.

Revenues of BMSI's Affiliates from Sales and Leases to Franchisees

In the last fiscal year, BMSI had no revenues from sales or leases to its franchisees. However, BMSI's affiliates had the following revenues from sales and leases to BMSI's franchisees:

Company (Notes 1 and 2)	Type of Goods and Services Sold/Leased to Franchisees	Gross Revenues from Franchisees	Total Revenues of Company	Revenues from Franchisees as a Percentage of Total Revenues
Heights Properties, LLP (Note 3)	Real Estate Leases	59,249	6,423,280	.922%

Notes:

1. Based on the unaudited financial statements of these BMSI affiliates for their fiscal years ended November 30, 2019.

2. Auto Brakes may supply certain equipment to franchisees upon request but inventory, computer hardware, signs, and supplies will have to be purchased from third party vendors. There were no sales for the year ended November 30, 2019.

3. Includes revenues of ESI Properties, LLC, a controlled affiliate of Heights Properties, LLP that was formed February 26, 2002 as a California limited liability company. ESI owns one site that is leased to a Brake Masters franchisee.

Percentages of Franchisee Purchases and Leases

BMSI estimates that the cost of the goods and services you will purchase and lease from BMSI, its affiliates and its approved suppliers, and in accordance with BMSI's specifications, will

be approximately the following percentages of your total purchases and leases in connection with the establishment of your business and of your total annual purchases and leases in connection with the on-going operation of your business:

Estimated Percentages of Franchisee Purchases and Leases	Percent of Total Purchases and Leases in Connection with the Establishment of Your Business	Percent of Total Annual Purchases and Leases in Connection with the Ongoing Operation of Your Business
Required Purchases and Leases from BMSI and Its Affiliates	0%	0%
Optional Purchases and Leases from BMSI and Its Affiliates (Note 1)	10%	20%
Purchases and Leases from Approved Suppliers	40%	15%
Purchases and Leases in Accordance with BMSI's Specifications (Note 1)	5%	10%
Purchases and Leases in All Four Categories	55%	45%

Note:

1. If you do not make optional purchases and leases from BMSI and its affiliates, the percentage for optional purchases and leases will be reduced and the percentage for purchases and leases in accordance with BMSI's specifications will be increased accordingly.

Purchasing Cooperatives

There are no purchasing or distribution cooperatives for the purchase of goods or services relating to your BRAKE MASTERS store except for marketing area advertising cooperatives for joint advertising and educational and promotional programs, which may be established in your marketing area as described in Item 11.

Multi-Store Amendment

All of the restrictions on sources of products and services in this Item 8 apply to all of the stores opened under a Multi-Store Amendment.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	FA §§ 3.1, 3.2, 3.5; FA Ex. 1; Lease	Items 8, 10, 11 and 12; Ex. F
b. Pre-opening purchases/leases	FA §§ 2.2, 2.3, 3.2, 4.1.2	Items 5, 7, 8 and 11

Obligation	Section in Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	FA §§ 2.2, 2.3, 3.1, 3.3	Items 5, 6, 7, 8, 11 and 12
d. Initial and ongoing training	FA §§ 8.1, 8.2, 8.5	Items 6, 7, 8 and 11
e. Opening	FA §§ 2.3, 3.3.3, 4.3.1A	Item 11
f. Fees	FA §§ 3.5, 4.1, 4.5.2, 4.9, 6.6.2, 8.1.4, 8.2, 8.4, 10.1.6, 10.2, 11.4.1, 12.6, 12.8	Items 5, 6, 7 and 8
g. Compliance with standards and policies/Operating Manual	FA §§ 4.5, 6.3, 6.4, 6.5, 8.5.1, 8.5.5, 9.1.2, 9.2, 9.3, 11.2.1B	Items 8, 11 and 14
h. Trademarks and proprietary information	FA §§ 3.4, 8.1.5, 8.5.2, 9.1.2, 9.4, 9.5, 9.8; FA Ex's. 3, 4	Items 11, 13 and 14
i. Restrictions on products/services offered	FA § 6.1	Item 16
j. Warranty and customer service requirements	FA § 6.7	Items 13 and 16
k. Territorial development and sales quotas	Multi-Store Amendment and Entire Marketing Area Addendum to Multi-Store Amendment	Items 5 and 12
l. Ongoing product/service purchases	FA §§ 2.1, 8.4, 9.1.2A	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	FA §§ 3.3.1, 3.3.2, 3.4, 9.3.3, 9.3.4	Item 11
n. Insurance	FA § 6.6	Items 6, 7 and 8
o. Advertising	FA § 4.3	Items 6, 7, 8 and 11
p. Indemnification	FA § 7	Items 6, 13 and 14
q. Owner's participation/ management/staffing	FA §§ 6.2, 9.7	Items 11 and 15
r. Records/reports	FA §§ 4.5, 4.7, 13.2.2	Item 6
s. Inspections and audits	FA §§ 4.5.4, 9.3.3	Items 6 and 11
t. Transfer	FA § 10	Items 6 and 17
u. Renewal	FA § 5.2	Item 17
v. Post-termination obligations	FA §§ 9.6, 11.4, 11.5	Item 17
w. Non-competition covenants	FA §§ 8.1.5, 9.6, 9.7, 9.8; FA Ex. 3	Items 14 and 17
x. Dispute resolution	FA §§ 12, 13.4.6	Item 17
y. Guaranties	FA §§ 4.8, 10.2.2, FA Ex. 2	Item 17

ITEM 10
FINANCING

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

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

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

Pre-Opening and Operational Obligations

Before you open your BRAKE MASTERS business, we will:

- Designate the boundaries within which you may select your site (FA § 3.1). See Item 12.
- Review the site selected by you for your franchise business (FA § 3.1). See "Site Selection" below.
- Provide written guidelines for the design and appearance of your BRAKE MASTERS store and lists of required and recommended equipment, tools, signs, inventory and supplies (FA § 3.3.1). See Item 8.
- Review the plans for the construction or installation of your leasehold improvements, fixtures and equipment (FA § 3.3.2).
- Inspect your franchise business (FA § 3.3.3).
- Train you as described below in this Item 11 (FA § 8.1). See "Training" below.
- Loan you one copy of BMSI's Manuals which contain mandatory and suggested specifications, standards and procedures. See "Manuals" below.
- Set up and install your required software on your computer system, and provide you with initial training in its use (FA § 8.5). See "Computer System" below.

During the operation of your franchise business, BMSI will:

- Assist you at the site of your business for one week during the 2 months following the opening of your BRAKE MASTERS store (FA § 8.3).
- Provide you with updates and supplements to the Manuals (FA § 9.2).
- Give you a right of first refusal on certain national or regional "chain" store account business in your area (FA § 1.3). See Item 12.
- Administer the Advertising Funds (FA § 4.3.7). See "Advertising" below.
- Provide software support (FA § 8.5.6). See "Computer System" below.
- Review advertising you submit (FA § 4.3.8).

- Subordinate its security interest in your assets to suppliers, lenders and lessors for your business if you are in good standing (FA § 4.7).
- Provide initial training for new store managers (FA §§ 6.2.2 and 8.1).
- Indemnify you against claims based solely on your proper use of the Marks (FA § 7.2).
- Provide you with reasonable advice and assistance resolving operational issues by telephone at no charge (FA § 8.3).
- Inspect your store, operations and records to insure your compliance with BRAKE MASTERS standards (FA § 9.3.3).
- Approve any requested transfer of your franchise subject to the conditions in your Franchise Agreement (FA § 10).
- Engage in mediation, and if necessary arbitration, of disputes over all issues other than the Marks and proprietary information (FA §§ 12.3 and 12.4).

BMSI provides all this assistance for each store opened under a Multi-Unit Addendum except that initial training is provided without charge only for the first store opened by a multi-unit developer. See Item 5, and "Training" below in this Item 11.

Advertising

The following chart describes the BMSI Advertising Funds. See Items 6 and 9.

ADVERTISING FUNDS			
Name of Fund	**Section of Franchise Agreement**	**% of Your Gross Sales You Contribute (Note 1)**	**Permitted Uses of Fund (Note 2)**
Advertising & Support Fund	4.3.3	1% (Note 3)	Research, development, quality assurance, advertising, promotion & public relations
System Advertising Fund	4.3.4	Up to 4% (Note 4)	Research, development, creation &/or placement of advertising; BMSI may reimburse franchisees for their advertising costs, up to the amount they contribute (Note 4)
National Advertising Fund	4.3.5	Up to 2% (Note 5)	Research, development, advertising &/or promotion

Notes:

1. BRAKE MASTERS stores operated by BMSI and its 51% commonly owned affiliates also contribute to each of the Advertising Funds to the same extent as other franchisees, so long as the contributions made by BMSI and its affiliates to each Fund are not more than the contributions made by all other franchisees (including affiliates in which BMSI has less than a 51% common ownership) to that Fund (FA § 4.3.6). Franchisees who joined the BRAKE MASTERS System before March of 2000 are not contractually obligated to contribute to the System Advertising Fund or the National Advertising Fund.

2. All Advertising Funds can be used on a national, regional and/or local basis, and can be used to disseminate advertising through the internet, and by print, radio and television.

3. Payments and advertising materials received from vendors may also be contributed to the Advertising and Support Fund. See Item 8.

4. No System Advertising fees are currently being collected. Until System Advertising fees are collected, you must spend at least this amount on local advertising. (The amounts you contribute to your local advertising cooperative count toward this obligation; the costs of grand opening advertising and any yellow pages telephone directory advertising do not.) When these fees are collected by BMSI, reimbursement for the costs of placing advertising is mandatory for franchisees who enter into a Multi-Store Amendment for an entire broadcast media marketing area. See Exhibit E, the Entire Marketing Area Addendum to Multi-Store Amendment.

5. No National Advertising fees are currently being collected. BMSI may collect up to 1% when there are 400 BRAKE MASTERS stores, and up to 2% when there are 500 BRAKE MASTERS stores.

No Advertising Funds are used to solicit the sale of franchises except that BMSI may elect to have a portion of its web-site be related to franchise sales and any advertising materials prepared by BMSI may state that franchises are available. BMSI may not use more than 25% of an Advertising Fund for administrative expenses (FA § 4.3.7.A). The Advertising Funds may be used for the costs of any mediation, arbitration or litigation involving the Advertising Fund. BMSI develops programs and does media placement itself, and also utilizes advertising agencies at various times for these purposes. (FA §§ 4.3.3.B, 4.3.4.B & 4.3.5.B.) Except for permitted administrative expenses, neither BMSI nor any of its affiliates receives any payments for providing goods or services to an Advertising Fund. BMSI administers each of the Advertising Funds. There is no advertising council of franchisees who advise BMSI on advertising policies. Any part of an Advertising Fund that is not used in one fiscal year is carried forward to the next fiscal year. BMSI accounts for the Advertising Funds separately and prepares an annual report of the operations of the Funds which is available to franchisees who provide a written request for a copy (FA § 4.3.7.B). The Advertising Funds are audited as part of the audit of BMSI's financial statements. See Exhibit J to this Disclosure Document. BMSI is not required to spend any amount of any Advertising Fund for advertising in your territory. Outside of BMSI's obligations to administer the Advertising Funds, BMIS is not obligated to conduct advertising for the franchise system.

No System Advertising Fees were collected or paid out during the past fiscal year. The National Advertising Fund has not yet been implemented. The Advertising and Support Fund was used to place television, print, internet and radio advertising in areas where BRAKE MASTERS stores are located. During its last fiscal year, BMSI expended funds contributed to the Advertising and Support Fund for the following purposes:

CATEGORY	% OF TOTAL FISCAL YEAR CONTRIBUTIONS OF $412,714.92 (Notes 1 & 2)		% OF TOTAL FISCAL YEAR EXPENDITURES OF $387,454.56 (Notes 1 & 2)	
Development:				
Business Intelligence Dashboard Development	0.49%		0.52%	
Graphics	0.86%		0.92%	
Total Development Expenditures		1.35%		1.44%
Media Placement:				
Digital Displays	1.36%		1.45%	
Email Marketing	1.06%		1.13%	
Internet Advertising	10.80%		11.50%	
Print Advertising	33.15%		35.31%	
Billboard Advertising	5.20%		5.54%	
Radio Advertising	2.57%		2.74%	
Social Media	2.12%		2.25%	
Sponsorship	1.28%		1.36%	
Total Media Placement Expenditures		57.54%		61.28%
Promotion:				
Banners/Signs	6.01%		6.40%	
Promotional Items	4.75%		5.06%	
Total Promotion Expenditures		10.76%		11.46%
Website Maintenance	6.08%	6.08%	6.48%	6.48%
Quality Assurance	0.47%	0.47%	0.50%	0.50%
Administrative Expenses	17.68%	17.68%	18.84%	18.84%
TOTAL PERCENTAGES		93.88%		100.00%

Notes:

1. Includes collections from franchisees and BMSI affiliates, interest earnings and miscellaneous receipts.

2. During the fiscal year, BMSI received contributions of $412,714.92, and expended a total of $387,454.56 from funds on hand in the Advertising and Support Fund. Total expenditures for the fiscal year were 193.88% of the total contributions for the fiscal year.

You may not have an internet web-site, Facebook, blog, Twitter account or other similar electronic media for your business. We may have a web-site with a direct link to a web page we create for you. On a case-by-case basis, we may approve an internet web-site with prior approval of all content. You may develop other advertising for your own use at your own cost. All your advertising is subject to BMSI's advance, written approval (FA § 4.3.8). We do not currently require our franchisees to participate in a loyalty card or gift card program but we have the right to do so if we implement a program. (FA § 4.3.1(B)). See Item 8.

After your BRAKE MASTERS store opens you must participate in any advertising cooperative that BMSI establishes in your marketing area. As of the date of this Disclosure Document, BMSI has established an advertising cooperative in the Phoenix, Arizona metropolitan area. BMSI may establish, dissolve and realign advertising cooperative boundaries at any time. Each advertising cooperative operates under written operating rules. If

there is a cooperative for your area, you can obtain a copy of its operating rules from BMSI upon request. The cooperative's activities and the amount of assessments you must pay for its programs and operations will be determined by majority vote, with each store in the cooperative (including stores operated by BMSI's affiliates) having one vote (FA § 4.3.2). See Item 6. Local advertising cooperatives are not required to prepare or provide annual or periodic annual financial statements. As of the date of this FDD, financial statements have not been developed. If such financial statements are generated in the future, BMSI is likely to provide this information to BMSI's participating franchisees upon their reasonable request, but BMSI is not legally required to do so under the Franchise Agreement. An advertising council of franchisees does not yet exist to advise BMSI on its advertising policies.

Computer System

Current Requirements

You must have a computer system that meets BMSI's specifications. The computer system must meet the following minimum requirements: Window 10 Professional, Intel i3 processor, 8 GB RAM, 120 GB hard drive and a laser printer. The recommend configuration is: Windows 10 Professional 64-bit, Intel i5 processor, 8 GB RAM, 120 SSD GB hard drive, HP LaserJet Pro 402N and a Zebra TLP 2824 for oil sticker labels.

The computer will run the main Point-of-Sale (POS) system and must run Windows 10 Professional. At your option, you may connect up to three additional POS station allowing up to four possible stations. This requires the use of the Open Source software RDPWrap or the commercial software Thin Stuff. The recommended configuration is Thinstuff using either 10Zig Model 4472 or Dell WYSE Model 3010 terminals.

You must have a DSL (digital subscriber line) or high speed Internet cable with a continuous connection. It is recommended that you get a connection with a static IP (Internet Protocol) address.

You will enter into a license to use the Yes Management System software ("YES") for POS system, which is manufactured by Pace Software, Inc. ("Pace"). YES uses an industry standard parts and labor catalog from Activant Solutions, Inc. You must also receive technical documentation, technical service bulletins and graphical representations of vehicle systems from a database source such as ALLDATA, LLC ("AllData"), Identifix or Mitchell on Demand. These databases are accessed through the Internet.

The computer system serves as your cash register, and provides point of sale and inventory control functions; it also accesses your customer and warranty information, a parts catalog, and parts and labor pricing guidelines. Customer histories and vehicle information are shared with other BMSI locations in order for customers to have services performed at any BRAKE MASTERS' location without the loss of service information.

BMSI's affiliates began using the YES software in 2005. One of BMSI's franchisees has been using the YES software since 2006, and all of BMSI's franchisees are currently using it. BMSI's affiliates and some Brake Masters franchisees have been using the Activant catalog for more than ten years and have been using AllData since 2003.

The initial software licensing fee for the YES system is $3,144 and is payable to BMSI's affiliate, Auto Brakes, Inc. BMSI will set up and install the YES software, and provide you with initial training in its use, at no additional charge. (FA § 8.5) BMSI will provide you with on-going support by telephone at its then current hourly or fixed charges, depending on the nature of the

services. (FA § 8.5.6) You must enter into a maintenance, support and updating agreement with Pace, at a current cost of approximately $174 per month, for which you will receive monthly updates for the parts catalog and software support. Your DSL or cable modem connection will cost between $30 and $90 a month but you will pay your Internet provider directly. You must subscribe to a comprehensive automotive repair information database such as AllData Indentifix or Mitchell on Demand at a cost of approximately $200 per month. BMSI may in the future approve an additional software vendor who may elect to bill BMSI for all participating locations. If you elect to participate, you may pay BMSI the monthly support fee and BMSI will pay this vendor.

The estimated cost to purchase your computer system ranges from $6,000 to $8,000 including both hardware and software costs. The electronic cash register is a part of the system and accordingly, no separate cost estimates are included for this equipment.

Rights and Obligations

BMSI has the right to close your access to the system data base in the event you are in default under your Franchise Agreement or if you fail to perform end-of-day POS processing for twelve consecutive days. BMSI has independent access to the information and data on your computer system. There is no contractual restriction on this access, but BMSI must keep your financial information confidential with limited exceptions (FA §§ 4.5.5 and 8.5).

You must maintain your computer system and make updates and upgrades at your expense as BMSI requires. BMSI's right to require updates and upgrades to the system can only be exercised if the update or upgrade has been implemented at all of the stores owned and operated by BMSI and its affiliates (FA § 9.1.2). BMSI estimates that a major upgrade may be required every 3 to 5 years at an estimated cost of $2,500 to $3,000. Although you must maintain, repair and upgrade your computer system hardware and any software you use neither BMSI nor any third party has any obligation to provide these maintenance, repairs, updates, or upgrades for you.

Manuals

Copies of the tables of contents of BMSI's Getting Started and Operations Manuals are attached as Exhibit G to this Disclosure Document. The Getting Started Manual was last updated in February 2006, and has a total of 35 pages, plus exhibits. The Operations Manual was last updated in February 2006, and has a total of 69 pages, plus exhibits. The tables of contents for the Manuals show the number of pages devoted to each subject.

Site Selection

Within 9 months of the date of your Franchise Agreement, you must select your business site within the area established in the Franchise Agreement and subject to BMSI's approval (FA § 3.1). We have 60 days to review the site you select. In approving a site, we consider traffic patterns, demographics and visibility. If we are unable to agree on a site or if we agree on a site but you do not enter into a lease or purchase contract for a site within 10 months of the date of the Franchise Agreement, we may terminate your Franchise Agreement (FA § 11.1.2). However, we may extend this deadline if unforeseeable delays occur over which you have no control (FA § 2.3).

You will work with your architect and contractor to ensure that the ordinances and codes are met. BMSI will provide general advice and to approve your site plans for compliance with BMSI’s standards, but BMSI does not otherwise assist you in conforming the site to the

applicable ordinances and codes or in the construction, remodeling, or decorating of your site. Currently, you must purchase your signs from an approved vendor. You may elect to purchase certain equipment from our affiliate Auto Brakes if it is available. BMSI does not otherwise assist you by providing you with equipment, signs, fixtures, initial inventory or supplies, nor does BMSI deliver or install these items, although BMSI will provide you with a list of approved suppliers and written specifications. In the future, BMSI may require you to purchase certain proprietary items from us or our affiliates. (FA §§ 3.3.2, 3.4)

If you enter into a lease with a third party for the site of your Franchise Business, you and the landlord must sign an Addendum to your lease giving BMSI rights to notice and the option to assume your lease upon the expiration or termination of your Franchise Agreement (FA § 3.2.1 and Exhibit F to this Disclosure Document at page 2). If you lease the site for your Franchise Business from our affiliate Heights Properties, LLP, you will sign either the Free Standing Building Lease (Exhibit F to this Disclosure Document at pages 4 through 15) or the Shopping Center Lease (Exhibit F to this Disclosure Document at pages 16 through 47). See Item 10. If you or an entity you control owns or purchases the site for your Franchise Business, BMSI will have an option to purchase the site upon the expiration or termination of your Franchise Agreement, and you must sign a Memorandum of Option that BMSI may record (FA § 3.2.1 and Exhibit F to this Disclosure Document at pages 48 through 49).

Opening

Franchisees typically open their BRAKE MASTERS store within 6 to 12 months after they sign a Franchise Agreement. The factors that may affect this time are whether the franchisee is converting an existing automotive repair business; or in the case of a start-up, the ability to obtain a site and lease; delays in obtaining financing and building permits; zoning and local ordinances; weather conditions; and shortages or delayed installation of equipment, fixtures and signs.

Training Program

BMSI's initial training program is described in the chart below:

INITIAL TRAINING (Note 1)			
Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location Offered**
Introduction	2	2	Tucson, AZ
Technical	10	40	Tucson, AZ
Computer Systems	6	16	Tucson, AZ
Marketing	2	0	Tucson, AZ
Financial Management	3	2	Tucson, AZ
Inventory and Purchasing	2	2	Tucson, AZ
Customer Relations and Communication	6	8	Tucson, AZ

INITIAL TRAINING (Note 1)			
Subject	**Hours of Classroom Training**	**Hours of On-The-Job Training**	**Location Offered**
Employees	2	2	Tucson, AZ
Competitive Strategies	2	2	Tucson, AZ
Operational Procedures	2	8	Tucson, AZ
Government and Consumer Agencies	1	0	Tucson, AZ
Safety and Waste Disposal	2	8	Tucson, AZ
TOTAL HOURS	**40**	**90**	

Note:

1. BMSI may waive training requirements for former BMSI employees and existing franchisees. See Item 5.

The classroom training will be conducted quarterly at BMSI's headquarters at 6179 E. Broadway Blvd., Tucson, AZ 85711. "On-the-Job Hours" training will usually be conducted at a BMSI affiliated store in Tucson, Arizona, but a portion of these hours may be conducted in Albuquerque, New Mexico, Sacramento, California or Los Angeles County, California.

Our manuals and store operating equipment will be used as the principal training materials. Each instructor has at least three years of experience in the subject the instructor is teaching.

You and each of your store managers must complete our initial training program to our satisfaction at least 2 weeks before the opening of your BRAKE MASTERS store. We do not charge tuition for this training for you and your first store manager who take the training together. You will not be provided with any free training in connection with any additional franchises you acquire. For each additional manager trained, BMSI will charge you $1,000.

BMSI provides initial training to the first store manager for multi-unit developers at no charge only for the first store. After that, the store managers for multi-unit developers are not required to attend initial training, but they can do so for $1,000 per person.

You must arrange for your training and that of your employees. We may provide general recommendations on your hiring but all recommendations are optional and we do not otherwise assist you in hiring your employees. Your failure to take or complete all the training we require will be grounds for the termination of your franchise, at our option. Our election not to enforce our training requirements is not a breach of contract by us.

We may provide future additional training programs on automotive technology, customer service and sales for you and your store managers at sites we select in Tucson, Arizona or Los Angeles County, California. Attendance at these programs may be mandatory. The programs will last at least one day, and may be held no more than two times a year. We may charge tuition of $250 per person for a program. You (or your employees) must pay all travel, lodging, food and other personal expenses you or any of your employees incur during training.

Area Representative for Kern, Los Angeles, Orange, Riverside, San Bernardino and Ventura Counties

We have engaged L-2 Enterprises, Inc. as an Area Representative to provide support and service to all our franchisees in the California Counties listed above. See Item 2 and Exhibit L. The Area Representative will provide franchisees in these Counties with all of the training, site selection, advertising review and other operations assistance described in this Item 11. If our agreement with L-2 Enterprises ends for any reason, we may provide these services ourselves or assign them to someone else. L-2 Enterprises' business address is 11485 Ventura Boulevard, Studio City, California 91604, telephone (818) 535-7277.

ITEM 12
TERRITORY

Single Store

The Franchise Agreement provides that you must select the site for your BRAKE MASTERS store within the geographic area designated in Exhibit 1 to the Franchise Agreement within 9 months. The area is typically at least 3 square miles, and is delineated by the political boundaries of cities or counties, or by boundary streets or highways, and takes into account population and traffic patterns. This geographic area has no significance after a site has been selected, or after 9 months if no site has been selected within that time. You have no rights to obtain additional franchises or areas unless you enter into a Multi-Store Amendment as described below. Our identification or consent of a site does not constitute a guarantee, recommendation or assurance as to the success of the site or the franchise business.

Your franchise is for the right to operate a BRAKE MASTERS store at a specific location and within a specific territory. After a site has been selected, and while the Franchise Agreement is in effect, BMSI may not itself, or through its affiliates or other franchisees, permit any other BRAKE MASTERS store to be located within 3 miles of your store, or if the population of the county in which your BRAKE MASTERS store is located is less than 30,000, anywhere within that county until the county population reaches 30,000. When the county population reaches 30,000, the 3 mile boundary applies. The population of a county is determined from the most currently available edition of the "Business Control Atlas" published by American Map Corporation.

The relocation of your BRAKE MASTERS store is subject to our prior written approval. BMSI will approve the relocation at your sole cost and expense if the new location serves substantially the same trade area, does not violate any other party's rights, and the site and lease meets BMSI's current guidelines.

You are prohibited from providing mobile services outside your area. You are not required to meet any sales quotas or other conditions to maintain the area.

You will have the right to solicit customers outside of your territory. Although you must service customers either at your Brake Master's store or through a mobile unit that only operates in your Territory. You will not have the right to sell any goods through other channels of distribution such as the Internet, catalogs, telemarketing or other direct marketing. You must have our approval of any marketing materials that you use. You do not have the right to establish an internet site using our name or trademarks although we may list your location on our website. We may make an exception and permit a franchisee to have a separate website on a case-by-case basis.

We retain the right to establish BRAKE MASTERS stores within or adjacent to any national or regional chain store in your area pursuant to a contract with a chain store. However, if we have the contractual right to do so, we will give you 10 business days to exercise a right of first refusal on that business in your area. In addition, our affiliate, Auto Brakes, Inc., may sell inventory, equipment and supplies to the public and to competitors in your area. We also reserve the right to sell BRAKE MASTERS or other brand products anywhere in your area through other channels of trade. We are not required to pay you if we exercise any of the rights specified above inside your territory.

It is not our current policy to operate or franchise any business operating under any other name or mark and offering products or services similar to or competitive with BRAKE MASTERS franchised stores, although we do have the right to do so.

You will not receive an exclusive territory because we have the right to establish a BRAKE MASTERS store within or adjacent to any national or regional chain store in your area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control, although we currently have no other channels of distribution.

At its sole option, BMSI's affiliate, Heights Properties, LLP, may lease the site and/or building for your BRAKE MASTERS store to you. These leases are transacted through various real estate trusts. The form of lease used will be either the Free Standing Building Lease "FSBL" (Exhibit F at pages 4 to 14), or the Shopping Center Lease "SCL" (Exhibit F at pages 15 to 45). The precise terms of the lease will vary depending on the size and location of the premises, but the typical range of monthly rental payments for a typical BRAKE MASTERS store in Arizona, Albuquerque, New Mexico, Nevada and Los Angeles County, California, ranges from $5,000 to $12,000 per month, plus payment of one month's rent as a security deposit (Exhibit F, FSBL § 18, SCL § 4(f)). The only other required security is a personal guarantee of the lease by you and the other principals in your business and your spouses (Exhibit F, FSBL at page 14, SCL at page 45).

If you do not make a rent payment on time, Heights Properties has the right to terminate your possession of the leased premises (Exhibit F, FSBL § 21, SCL § 18) and collect the unpaid rent plus a percentage of the unpaid rent and its attorneys' fees, together with any other damages that it incurs such as expenses associated with recovering possession and reletting the premises (Exhibit F; FSBL: 5% late charge, §§ 3 and 34; SCL: 10% late charge, §§ 4(e) and 18(c)). In addition, BMSI may terminate your Franchise Agreement. Heights Properties can also use your security deposit to pay unpaid rent, but you must then replenish the security deposit (Exhibit F, FSBL § 18, SCL § 4(f)). While Heights Properties has not and does not presently intend to sell leased premises, you may lose all defenses against Heights Properties if Heights Properties sells the leased premises.

Multi-Store Development

If you wish to develop and operate several BRAKE MASTERS stores within a development area, and if you qualify, you may sign a Multi-Store Amendment to the Franchise Agreement permitting you to develop additional stores, all at locations selected by you, subject to our written approval. The development area in which all of the stores must be opened is designated in the Multi-Store Amendment, and is typically delineated by the political boundaries of cities or counties, or by boundary streets or highways. We will review and must approve the location of each future BRAKE MASTERS store and determine the territory for each store. So long as you are in compliance with the development schedule and not otherwise in default, then until 12 months following the opening of your last store specified in the Multi-Store Amendment, we

are prohibited from permitting any BRAKE MASTERS store in the development area (except in conjunction with national or regional chain stores, as to which we will give you a 30 day right of first refusal if we have the contractual right to do so). The Multi-Store Amendment is Exhibit D to this Disclosure Document.

If you commit to developing at least the minimum number of BRAKE MASTERS stores necessary in our judgment to cover an entire broadcast media marketing area (as defined by Nielsen, Arbitron or an equivalent nationally recognized media research organization), then we will also grant you a first right of refusal to develop any additional BRAKE MASTERS stores to be located in your development area after 12 months following the opening of your last store. To keep your first right of refusal, you must have met your development schedule, all your stores must be operating, and you cannot be in default under any agreement with BMSI. You will have 15 business days after receiving notice of a proposed new store to sign the then current franchise agreement and pay the then current initial franchisee fee for the new store. If you do not do so, or if you reject an option, your first right of refusal for the development area will terminate. See the Entire Marketing Area Addendum to Multi-Store Amendment, which is Exhibit E to this Disclosure Document.

ITEM 13
TRADEMARKS

Registrations

BMSI owns the trademarks listed in the following chart, including the trademark shown on the cover of this Disclosure Document. Each of these trademarks is registered at the United States Patent and Trademark Office ("USPTO").

Mark	Registration Number	Register	Registration Date
BRAKE MASTERS (words only)	1,487,817	Principal	5/10/88 (assigned to BMSI on August 7, 1997)
BRAKE MASTERS (design)	2,614,011	Principal	9/3/2002

Affidavits of use and incontestability were filed with the USPTO in September 1993 with respect to Registration No. 1,487,817 and in March 2009 with respect to Registration No. 2,614,011. BMSI's renewal of Registration No. 1,487,817 was accepted by the USPTO and this

mark is effective until May 2028. BMSI's renewal of Registration No. 2,614,011 was accepted by the USPTO and this mark is effective until February 2022.

There are no presently effective determinations of the USPTO, or the trademark administrator of any state, and there are no pending interference, opposition or cancellation proceedings, which could materially affect your rights concerning the BRAKE MASTERS name or marks to be licensed to you. There are no presently effective determinations of any court, no pending material lawsuits and no infringing uses actually known to BMSI, and except for the agreement with Auto Brakes, Inc. described below, no agreement currently in effect, which could materially affect your rights concerning the BRAKE MASTERS name or marks to be licensed to you.

License to Affiliates

BMSI's affiliate, Auto Brakes, Inc. was the owner of the original BRAKE MASTERS marks until they were assigned to BMSI effective August 7, 1997. Pursuant to a License Agreement effective as of that same date, BMSI granted Auto Brakes, Inc. and BMSI's other affiliates a license for all of the marks owned by BMSI in perpetuity in connection with the operation of BRAKE MASTERS stores.

Under the License Agreement, Auto Brakes, Inc. and BMSI's other affiliates may continue to use the BRAKE MASTERS name and marks, but they are prohibited from licensing any other person or entity to use the name and marks, and they are also prohibited from opening or relocating any BRAKE MASTERS store unless they first obtain the prior written approval of BMSI. BMSI will not approve any proposed location which would violate the terms of a Franchise Agreement between BMSI and any of its franchisees. The License Agreement also provides that operating affiliates will contribute to the Advertising Funds and participate in all BRAKE MASTERS warranty programs and area advertising cooperatives to the same extent that franchisees must participate (subject to a "cap" on Advertising Fund contributions. See Item 11).

Use of the Marks

Under the Franchise Agreement, you are granted the right to use the BRAKE MASTERS name and marks. You must follow our rules regarding style, appearance and quality when you use these marks. In particular, you may only use the name and marks in connection with the operation of your BRAKE MASTERS store, and you may not use the name or marks as part of your corporate or partnership name or with modifying words, designs or symbols (other than those we license to you).

Protection of the Marks

You must notify us of any infringement or challenge to the use of the marks. We may take whatever action we deem appropriate. We must defend and indemnify you against claims based solely on your proper use of the marks. You must cooperate in the conduct of any trademark litigation.

Change of Marks

If it becomes advisable at any time for us to modify or discontinue using any trademark or to use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your

direct expenses of changing the store's signs, for any loss of revenue due to any modified or discontinued trademark, or for your expenses of promoting a modified or substitute trademark.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We own no rights in or to any patents that are material to your franchise.

Copyrights

We claim copyrights on our Manuals, proprietary computer programs and advertising relating to the BRAKE MASTERS system. These copyrights have not been registered. The Franchise Agreement grants you the right to use copyrighted materials for the term of the Franchise Agreement. If we decide to add, modify or discontinue the use of an item covered by a copyright, then you must also do so, at your expense.

You should notify us of any infringement or challenge to the copyrighted material. We may take whatever action we deem appropriate. We are not obligated to defend and indemnify you against claims based on your use of the copyrighted material. You should cooperate in the conduct of any litigation about these matters.

There are no agreements currently in effect which limit our right to use or license the use of our copyrighted materials in any manner material to you. There are no infringing uses actually known to us that could materially affect your use of the copyrighted materials.

Confidential Information

You will be entitled to use the confidential and proprietary Manuals and our proprietary computer software in the conduct of your BRAKE MASTERS business. See Items 8 and 11. You must protect the confidentiality of our materials and other confidential and proprietary information, and prevent wrongful disclosure or duplication of these materials. Your officers, directors, partners, 20% owners and managers each must sign the Confidentiality and Non-Competition Agreement attached to this Disclosure Document as Exhibit 3 to the Franchise Agreement. In addition, your owners with less than a 20% interest must sign the Confidentiality Agreement attached to this Disclosure Document as Exhibit 4 to the Franchise Agreement (which does not contain covenants against competition).

Change of Marks

You are required to discontinue the use of any of our copyrighted materials that we have discontinued at your expense. If we have modified our copyrighted materials, then we will provide you with the modified materials and instructions for their use and the discontinuance of the revised materials.

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

We recommend that you be personally and actively involved in the direct day-to-day operation of your BRAKE MASTERS store. If you are not involved on a day-to-day basis, the

business must be directly and actively supervised either by you or a designated operations manager. The manager must have successfully completed our training program. See Item 11. The manager need not have an ownership interest in your business. The manager must sign a written agreement to maintain the confidentiality of the trade secrets described in Item 14 and to comply with the covenants not to compete described in Item 17.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Goods and Services

You must offer and sell only those goods and services that we have authorized. You must offer all goods and services that we designate as required in the Manuals. See Item 8. You may conduct your business only from a single approved location. You cannot offer mobile services outside of your area. However, there are no restrictions on the customers with whom you, BMSI, its affiliates, or any other franchisee may do business.

BRAKE MASTERS Limited Warranty Programs

You must participate in all of the BRAKE MASTERS Limited Warranty Programs established by BMSI. As of the date of this Disclosure Document, BRAKE MASTERS warranties cover all labor for 90 days, and the replacement of damaged, defective or worn parts for the periods described in the following table:

BRAKE MASTERS CUSTOMER WARRANTIES				
Parts Covered	**Type of Vehicle**	**Warranty Period**	**Customer Charges**	
			Part Replacement	Labor
Brake shoes (new & re-manufactured)	All vehicles	For as long as the customer owns the vehicle	Free	Current charges after 90 days
Disc brake pads, master cylinders, wheel cylinders, brake hoses, shocks, struts, water pumps, starters, alternators, CV boots, axles & U-joints installed new (excludes re-manufactured parts)	Non-commercial passenger & light duty vehicles	For as long as the customer owns the vehicle	Free	Current charges after 90 days
	¾ ton and larger vehicles & any vehicle used for commercial purposes	90 days	Free	Current charges after 90 days
Brake drums, disc brake rotors, & the following rebuilt parts: master cylinders, calipers, wheel cylinders, water pumps, starters, alternators & axles	All vehicles	90 days	Free	Current charges after 90 days
All other parts	All vehicles	One year	Free	Current charges after 90 days

You must provide your customers with a written limited warranty, good at any BRAKE MASTERS store, for the labor you provide, and for the replacement of any damaged, defective or worn part listed above at no charge except the usual and customary charge for labor by the

BRAKE MASTERS store honoring the warranty. You must also honor all warranties presented at your store, whether issued by you, BMSI, its affiliates or other franchisees. You are entitled to all available manufacturers' warranty refunds and/or credits for any defective part that you replace. With permission from BMSI, you may offer a warranty with broader terms but the terms must not be any less than BMSI's warranty and you must notify your customers that your extended warranty is only valid at your location.

If you honor a standard warranty originally issued at another BRAKE MASTERS store, you may request reimbursement from the store that originally issued the warranty for an amount not to exceed (i) the cost of the replacement part plus a percentage markup if the warranty work involves replacement of a damaged, defective or worn part; and (ii) for labor charges during the 90 day warranty period, a percentage discount off your posted labor charge for that service, or a percentage discount off your posted hourly labor charge times the number of hours shown for that service in a nationally recognized guide designated by BMSI. If any other BRAKE MASTERS store honors a standard warranty originally issued by you, you must pay the store that performs the warranty work on the same basis. The percentages are specified in the Manuals and may be changed by BMSI. As of the date of this Disclosure Document, the percentages are a 20% markup on parts, and a 25% discount on labor charges.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Agreement (Note 1)	Summary
a. Term of franchise	FA § 5.1; FA Ex. 1	20 years.
b. Renewal or extension of the term	FA § 5.2	Unless required by state law, neither party has any right or obligation to renew.
c. Requirements for you to renew or extend	N/A	Neither party has any right or obligation to renew. If we both agree to renew your franchise at the expiration of the term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your original or previous franchise agreement.
d. Termination by you	FA §§ 11.1.1, 11.2.3	You may terminate with notice but without cause within 8 months after the date of the FA and before opening your BRAKE MASTERS business; or with cause for our default with 2 months' notice.
e. Termination by BMSI without "cause"	None	We cannot terminate the Franchise Agreement without cause.
f. Termination by BMSI with "cause"	FA §§ 11.2.1, 11.2.2 MSA § 5.3	We can terminate only for cause.

Provision	Section in Agreement (Note 1)	Summary
g. "Cause" defined-curable defaults	FA § 11.2.2; MSA § 5.3	Subject to state law, 10 days to cure non-payments, 2 months to cure an impasse between the owners of the franchisee entity that affects the franchised business, 1 month to cure any other material default. If you have a MSA, we may terminate the MSA for failure to meet the MSA development schedule with one month's notice.
h. "Cause" defined-defaults which cannot be cured	FA §§ 8.1.3, 11.1.2, 11.2.1	Subject to state law, if we determine from training that you are not qualified, or if you fail to complete training to our satisfaction, or to lease or purchase a site on time; bankruptcy; abandonment; misrepresentation; repeated breaches; seizure of your assets; criminal acts; unilateral repudiation, uncured defaults under other agreements; and public danger.
i. Your obligations on termination/ nonrenewal	FA §§ 9.6, 11.4, 11.5	Cease use of "BRAKE MASTERS"; return manuals, BMSI software, all trademarked and confidential materials; noncompetition (see "q" and "r" below); certain FA obligations continue. (Note 2).
j. Assignment of contract by BMSI	FA § 10.6	No restrictions.
k. "Transfer" by you – definition	FA §§ 10.1, 10.3.2; MSA § 6	Any transfer or pledge of FA or substantially all your business assets, or a 20% ownership change.
l. BMSI's approval of your transfer	FA § 10.1	Sublicensing prohibited; incorporation pre-approved subject to certain conditions; approval of other transfers cannot be unreasonably withheld.
m. Conditions for BMSI approval of transfer	FA § 10.1	New franchisee must be qualified, sign the current FA and successfully complete training; deal terms must not be onerous; you must be in good standing, pay a transfer fee, indemnify us for any representation you make and sign a release (also see "n" below). (Note 2)
n. BMSI's right of first refusal to acquire your business	FA § 10.5; MSA § 6.2	We have 10 business days to match any purchase offer you receive. Waived if you are a multi-store developer transferring one store to a legal entity you control. (Note 2)
o. BMSI's option to purchase your business	FA § 11.4.3	Upon the expiration or termination of your franchise, we have an option to assume your lease (or purchase the site from you), and to purchase the assets of your business at their fair market value.
p. Your death or disability	FA § 10.4	Subject to acceptable temporary operating conditions, your heirs have 6 months to qualify and assume the franchise or 3 months to sell it to an approved buyer. (Note 2)
q. Non-competition covenants during the term of the franchise	FA § 9.6; FA Ex. 3, § 5.1	No involvement with any automobile brake service or repair business, or lube, oil or filter service business, located in the county or state of the franchise territory and the United States. (Note 2)

Provision	Section in Agreement (Note 1)	Summary
r. Non-competition covenants after the franchise is terminated or expires	FA § 9.6; FA Ex. 3, § 5.1	Subject to state law, no involvement with any automobile brake service or repair business, or lube, oil or filter service business, located within 5 miles of any BRAKE MASTERS store and in any county having a BRAKE MASTERS store, for 1 year after an assignment or 2 years after expiration or any termination. (Note 2)
s. Modification of the Agreement	FA §§ 9.1.2, 9.2, 9.6.2, 11.3, 13.4.2; FA Ex. 3 §§ 5.2, 10; Ex. 4 § 8	Automatic conformance to state law; otherwise only by signed document except that we may unilaterally revise the Manuals, change our name and trademarks, and reduce the scope of non-competition covenants.
t. Integration/ merger clause	FA § 13.4.1; FA Ex. 3 § 10; FA Exhibit 4, § 8	Only the terms of the Franchise Agreement (including system standards in the Operations Manual) are binding (subject to state law). Any statements or promises not in the Franchise Agreement or this disclosure document should not be relied upon and may not be enforceable.
u. Dispute resolution by arbitration or mediation	FA §§ 12.3, 12.4	Mandatory non-binding mediation followed by binding arbitration except for certain claims. (Note 2)
v. Choice of forum	FA § 12.1.2	Mediation and arbitration must be held in Tucson, Arizona; you must bring any other action against us, and we may bring any other action against you, where we have our principal place of business. (Note 2) (subject to applicable state law)
w. Choice of law	FA § 12.1.1; FA Ex. 3 § 10; FA Ex. 4, § 9	Federal and Arizona law apply. (subject to applicable state law)
x. Waivers	FA §§ 12.2, 12.4.5, 12.7	Claims waived if not asserted within 18 months; claims must be asserted individually and not in a class action; punitive damages waived. (Notes 2)
y. Remodeling	FA § 9.3.4	We can require you to remodel your store 10 years after your store opens to conform to our then current standards, and also at any other time the stores operated by our affiliates remodel. The cost to remodel cannot be estimated and may be substantial.

Notes:

1. FA: BMSI Franchise Agreement attached as Exhibit C to this Disclosure Document.
   FA Ex.: Exhibit to FA.
   MSA: Multi-Store Amendment attached as Exhibit D to this Disclosure Document.
2. If you are a partnership, corporation or other legal entity, the partners or the officers, directors and 20% owners are also individually subject to this obligation.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

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 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 our management by contacting us at 6179 East Broadway Boulevard, Tucson, Arizona 85711, (520) 512-0000, the Federal Trade Commission and any appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1

SYSTEM WIDE OUTLET SUMMARY FOR Years 2017 to 2019 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2017	33	29	-4
	2018	29	29	0
	2019	29	29	0
Company-Owned	2017	61	66	+5
	2018	66	67	+1
	2019	67	70	+3
Total Outlets	2017	94	95	+1
	2018	95	96	+1
	2019	96	99	+3

Note:

1. All numbers are as of November 30th for each year.

TABLE NO 2.

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE) FOR YEARS 2017 to 2019 (Note 1 and Note 2)

State	Year	Number of Transfers
Arizona (Note 2)	2017	0
	2018	0
	2019	0
California	2017	0
	2018	1
	2019	0
Nevada	2017	3
	2018	0
	2019	0
Total Transfers	2017	3
	2018	1
	2019	0

Notes:

1. All numbers are as of November 30th for each year.

TABLE NO. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS 2017 to 2019 (Note 1)

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
AZ	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CA	2017	25	0	0	0	0	0	25
	2018	25	0	0	0	0	0	25
	2019	25	0	0	0	0	0	25
NV	2017	4	0	0	0	3	1	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Totals	2017	33	0	0	0	3	1	29
	2018	29	0	0	0	0	0	29
	2019	29	0	0	0	0	0	29

Note: All numbers are as of November 30th for each year.

TABLE NO. 4

STATUS OF COMPANY–OWNED OUTLETS FOR YEARS 2017-2019 (Note 1)

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisees (Note 2)	Outlets at End of the Year
AZ	2017	38	1	0	0	0	39
	2018	39	0	0	0	0	39
	2019	39	2	0	0	0	41
CA	2017	9	0	0	0	0	9
	2018	9	0	0	0	0	9
	2019	9	0	0	0	0	9
NM	2017	9	0	0	0	0	9
	2018	9	1	0	0	0	10
	2019	10	0	0	0	0	10

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisees (Note 2)	Outlets at End of the Year
NV	2017	0	1	3	0	0	4
	2018	4	0	0	0	0	4
	2019	4	1	0	0	0	5
TX	2017	5	0	0	0	0	5
	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
Totals	2017	61	2	3	0	0	66
	2018	66	1	0	0	0	67
	2019	67	3	0	0	0	70

Notes:

1. All numbers are as of November 30th for each year.

2. If you are purchasing a company location that was previously a franchise location in the past five years, we will provide you with the former franchisee's contact information, the time period that the franchisee controlled to location, the reason for the ownership change and the length of time that we controlled the location.

TABLE NO. 5

PROJECTED OPENINGS

AS OF NOVEMBER 30, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
Arizona	0	0	5
California	0	0	0
Colorado	0	0	0
New Mexico	0	0	1
Nevada	0	0	2
Texas	0	0	2
Total	0	0	10

A list of the names of all franchisees and the addresses and telephones numbers of their businesses are provided in Exhibit H to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit I to this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the franchise system.

There are no trademark-specific organizations associated with the franchise system being offered in this FDD.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit J to this Disclosure Document are our audited financial statements for the years ended November 30, 2019, 2018 and 2017.

ITEM 22
CONTRACTS

Attached as Exhibits to this Disclosure Document are copies of the following agreements relating to the offer of the franchise:

Exhibit C - Franchise Agreement and its Exhibits:
- Exhibit 1 - Terms
- Exhibit 2 - Guaranty
- Exhibit 3 - Confidentiality and Noncompetition Agreement
- Exhibit 4 - Confidentiality Agreement

Exhibit D - Multi-Store Amendment
Exhibit E - Entire Marketing Area Addendum to Multi-Store Amendment
Exhibit F - Real Estate Documents
Exhibit N - Confirmation of Sales Procedures

Two copies of the receipt for the agreements you will sign are included as Exhibit M. You must complete and sign both copies of the receipts, and have them notarized, at the time you receive the agreements. Keep one copy, and return the other to us.

ITEM 23
RECEIPTS

The last two pages are detachable documents acknowledging your receipt of this disclosure document.

EXHIBIT A
STATE AGENCIES EXHIBIT

California	Commissioner of Business Oversight Department of Business Oversight 320 W. 4th Street, Suite 750 Los Angeles, California 90013-2344 213/576-7500 Toll Free 1- 866/275-2677 1515 K Street, Suite 200 Sacramento, California 95814-4052 916/445-7205 Toll Free 1- 866/275-2677 1350 Front Street, Room 2034 San Diego, California 92101-3697 619/525-4233 Toll Free 1-866/275-2677 One Sansome Street, #600 San Francisco, California 94104-4428 415/972-8565 Toll Free 1-866/275-2677
Connecticut	Securities and Business Investment Division Connecticut Department of Banking 260 Constitutional Plaza Hartford, Connecticut 06103 860/240-8299
Florida	Department of Agriculture and Consumer Services Division of Consumer Services 2005 Apalachee Parkway Tallahassee, Florida 32399-6500 850/488-2221
Hawaii	Commissioner of Securities of the State of Hawaii Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 808/586-2722
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 217/782-4465
Indiana	Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E-111 Indianapolis, Indiana 48933

	317/232-6681
Iowa	Iowa Securities Bureau 340 E. Maple Street Des Moines, Iowa 50319-0066 515/281-4441
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202 410/576-6360
Michigan	Franchise Administrator 670 Law Building 525 West Ottawa Street Lansing, Michigan 48913 517/373-7117
Minnesota	Minnesota Department of Commerce Securities-Franchise Registration 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 651/539-1500
Nebraska	Nebraska Department of Banking and Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, Nebraska 68508-2732 P.O. Box 95006 Lincoln, Nebraska 68509-5006 402/471-2171
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St. 21st Floor New York, New York 10005 212/416-8236
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5th Floor Bismarck, North Dakota 58505-0510 701/328-2910
Oregon	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 503/378-4387

Rhode Island	Associate Director and Superintendent of Securities Department of Business Regulation 1511 Pontiac Avenue - Building 68-2 Cranston, RI 02920 401/462-9527
South Dakota	Franchise Administrator Division of Insurance Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563
Texas	Secretary of State 1019 Brazos Street [Zip 78701] P. O. Box 12887 Austin, Texas 78711-2887 512/475-1769
Utah	Department of Commerce Division of Consumer Protection 160 E. 300 South SM Box 146704 Salt Lake City, Utah 84114-6704 801/530-6601
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street 9th Floor Richmond, Virginia 23219 804/371-9051
Washington	Administrator Department of Financial Institutions Securities Division 150 Israel Road SW P. O. Box 9033 [Zip 98501-9033] Tumwater, Washington 98501 360/902-8760
Wisconsin	Administrator DFI, Division of Securities 345 W. Washington Avenue P.O. Box 1768 [Zip 53701] Madison, Wisconsin 53703 608/261-9555

EXHIBIT B

STATE LAW ADDENDUM

IN CERTAIN STATES FRANCHISEES ARE PROTECTED BY SPECIFIC LAWS. THESE STATE LAWS ARE REFERENCED AND SUMMARIZED IN THIS EXHIBIT. IF THE LAWS OF A PARTICULAR STATE GOVERN YOUR FRANCHISE, ITS STATUTES AND REGULATIONS AUTOMATICALLY APPLY TO YOUR FRANCHISE, AND AMEND BOTH YOUR AGREEMENTS WITH THE FRANCHISOR AND THIS DISCLOSURE DOCUMENT INCLUDING THE DOCUMENTS WHICH ARE ATTACHED AS EXHIBITS TO THIS DISCLOSURE DOCUMENT, INCLUDING ANY CONFIRMATION OF SALES PROCEDURES), UNLESS A PARTICULAR STATE LAW IS UNENFORCEABLE BECAUSE IT CONFLICTS WITH FEDERAL LAW AND IS PREEMPTED.

ALL STATES

(EXCEPT CALIFORNIA)

Bankruptcy Disclosure

A franchisor is required to state in Item 4 of the Disclosure Document whether the franchisor, its affiliate, its predecessor, officers or general partners during the ten year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one year after the officer or general partner held his position in the company or partnership. If so, the franchisor must disclose the name of the person or company that was the debtor under the Bankruptcy Code, the date of the action and the material facts.

Choice of Law and Forum

Certain states have statutes and court decisions that may supersede provisions of the franchise agreement that require the application of laws of states other than the franchisee's state or require litigation in a state other than the franchisee's state. However, some of these state laws may be unenforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16, which pre-empts conflicting state law.

Covenants Not To Compete

Certain states have statutes (cited below) that may limit the franchisor's ability to restrict your activity after the franchise agreement has ended. Other states have court decisions limiting the franchisor's ability to restrict your activity after the franchise agreement has ended.

Federal Arbitration Act

Certain state laws prohibiting or restricting arbitration agreements may be unenforceable under the Federal Arbitration Act, 9 U.S.C. §§ 1-16, which pre-empts conflicting state law. Washington believes that its state laws are consistent with the Federal Arbitration Act.

Federal Bankruptcy Law

A provision in the franchise agreement that terminates the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law, Title 11, United States Code, Section 101 *et seq*.

Liquidated Damages

Certain states have statutes (cited below) that may restrict or prohibit the imposition of liquidated damage provisions. The imposition of liquidated damages is also restricted by fair practice laws, contract law and state and federal court decisions.

Litigation Disclosure

A franchisor is required to disclose in Item 3 of the Disclosure Document whether the franchisor, its predecessor, a person identified in Item 2 of the Disclosure Document, or an affiliate offering franchises under the franchisor's principal trademark:

A. Has an administrative, criminal or material civil action pending against that person alleging a violation of a franchise, antitrust or securities law, fraud, unfair or deceptive practices, or comparable allegations. In addition, the franchisor must include actions other than ordinary 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. If so, the franchisor must disclose the names of the parties, the forum, nature, and current status of the pending action. The franchisor may include a summary opinion of counsel concerning the action if a consent to use of the summary opinion is included as part of the Disclosure Document.

B. Has during the ten year period immediately before the date of the Disclosure Document been convicted of a felony or pleaded *nolo contendere* to a felony charge; or been held liable in a civil action by final judgment or been the subject of a material action involving violation of a franchise, antitrust or securities law, fraud, unfair or deceptive practices, or comparable allegations. If so, the franchisor must disclose the names of the parties, the forum and date of conviction or date judgment was entered, penalty or damages assessed and/or terms of settlements.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency. If so, the franchisor must disclose the name of the person, the public agency and court, a summary of the allegations or facts found by the agency or court and the date, nature, terms and conditions of the order or decree.

Relationship Statutes and Court Decisions

Certain states have statutes (cited below), and those states and others may have court cases, which may govern your relationship with the franchisor and supersede the terms of your franchise agreement, including the areas of choice of law, choice of forum, waivers, releases, periods of limitation, transfer, termination and renewal of your franchise.

ALASKA

ALASKA STAT. §§ 45.45.700 to .790.

ARKANSAS

Franchise Practices Act, ARK. CODE ANN. §§ 4-72-201 to -210.

CALIFORNIA

Franchise Investment Law, CAL. CORP. CODE §§ 31000-31516.
Franchise Relations Act, CAL. BUS. & PROF. CODE §§ 20000-20043.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

Litigation Disclosure

a. The franchisor, any person or franchise broker in Item 2 of the FDD is not subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

Termination and Nonrenewal

b. California Business and Professions Code 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

c.

Bankruptcy Disclosure

d. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

Covenants Not to Compete

e. 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.

Liquidated Damages

f. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Arbitration

g. The franchise agreement requires binding arbitration. The arbitration will occur at the site indicated on the cover page of the Disclosure Document, with the costs to be borne by the losing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Choice of Law and Forum

h. The franchise agreement requires application of the laws of the jurisdiction stated on the cover page of the Disclosure Document. This provision may not be enforceable under California law.

Modification of Existing Franchise

i. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

Waivers and Releases

j. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Earnings Claims Figures

k. The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

Exemption for Internet Advertisement

l. The California Franchise Investment Law provides that internet advertisements may be exempt from the requirements of Corp. Code § 31156 for filing advertisements with the Commissioner, provided that the franchisor meets all of the requirements under Corp. Code § 310156.3.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

Territories

m. You will not receive an exclusive territory because we have the right to establish a Brake Masters store within or adjacent to any national or regional chain store in your area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control, although we currently have no other channels of distribution.

CONNECTICUT

Franchises, CONN. GEN. STAT. §§ 42-133e to -133h.

DELAWARE

Franchise Security Law, DEL. CODE ANN. tit. 6, §§ 2551-2556.

FLORIDA

Covenants Not To Compete

FLA. STAT. § 542.335.

HAWAII

Franchise Investment Law, HAW. REV. STAT. §§ 482E-1 to –12.
Franchise Rights and Prohibitions, HAW. REV. STAT. § 482E-6.

ILLINOIS

Illinois Franchise Disclosure Act (815 ILCS 705/1 et seq.)

Choice of Law and Forum

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of the State of Illinois is void. However, arbitration may occur outside of Illinois. 815 ILCS 705/4 (West 2014).

Waivers and Releases

Section 41 of the Illinois Franchise Disclosure Act provides that 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. 815 ILCS 705/41 (West 2014).

Termination and Nonrenewal

Your rights upon termination and non-renewal of a Franchise Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act. 815 ILCS 705/19, 20 (West 2014).

INDIANA

Franchises, IND. CODE tit. 23, art. 2, ch. 2.5, §§ 1-51.
Deceptive Franchise Practices, IND. CODE tit. 23, art. 2, ch. 2.7, §§ 1-7.

Choice of Law and Forum

A franchise agreement requiring resolution of disputes in a forum other than Indiana is not enforceable. CODE § 23-2-2.7-1(10). Additionally, a franchise agreement requiring application of the laws of a jurisdiction other than Indiana is subject to any superseding provisions in Sections 23-2-2.5 and 23-2-2.7 of the Code. The risk factor statements on the Disclosure Document cover page indicating that disputes must be resolved in a state other than Indiana, and that the laws of a state other than Indiana apply, do not apply in Indiana.

Covenants Not To Compete

A franchisor cannot require a franchisee to covenant not to compete with the franchisor for more than three years after the termination or nonrenewal of a franchise, or in an area greater than the franchisee's exclusive area, or if the franchisee has no exclusive area, in more than a reasonable area. CODE § 23-2-2.7-1(9). Under Indiana law, a franchisee may not be liable for violations of covenants against competition by third parties.

Indemnification

To the extent required by Indiana law, a franchisee need not provide any indemnification for liability caused by the franchisee's proper reliance on or use of procedures or material provided by the franchisor or by the franchisor's negligence.

Periods of Limitation

Under Code § 23-2-2.5-30, an action must be brought within three years after the franchisee's discovery of the facts of a violation and, under Code § 23-2-2.7-7, within two years after the date of a violation.

Territories

A franchisor may not establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted to the franchisee by the franchise agreement; or, if no exclusive territory is designated, the franchisor may not compete unfairly with the franchisee within a reasonable area. CODE §§ 23-2-2.7-1(2) and 23-2-2.7-2(4).

Waivers and Releases

Code § 23-2-2.7-1(10) prohibits any limitation on litigation for breach of a franchise agreement, such as a reservation of rights to injunctive relief, liquidated damages or any other limitation on damages or remedies. A franchisee may not be required to recognize irreparable harm. Indiana law prohibits requiring a franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to release any person from liability imposed by Indiana franchise laws.

IOWA

Franchises, IOWA CODE §§ 523H.1 to .17.
Franchise Agreements, IOWA CODE § 537A.10.

Transfer

A franchisor may require the following conditions to transfer: (1) that transferee successfully completes training; (2) payment of a transfer fee to reimburse the franchisor for the franchisor's actual expenses directly attributable to the transfer; (3) that franchisee payor makes provision acceptable to the franchisor to pay any amount due the franchisor or its affiliate; (4) that financial terms of the transfer comply at the time of the transfer with the franchisor's current financial requirements for franchisees. Code §§ 537A.10(5)(c)(1 to 4). Under Code § 537A.10(5)(e), a transfer by a franchisee is deemed to be approved 60 days after the franchisee submits the request for consent to the transfer, unless the franchisor withholds consent to the transfer in writing, specifying the reason(s) for withholding consent. The written notice must be delivered to the franchisee prior to the expiration of the sixty-day period. Any such notice is privileged and is not actionable based upon a claim of defamation.

Termination

A franchisor shall not terminate a franchise prior to the expiration of its term except for good cause. Code § 537A.10(7)(a).

Nonrenewal

A franchisor shall not refuse to renew a franchise unless the franchisee has been notified of the franchisor's intent not to renew at least six months prior to the expiration date or any extension of the franchise agreement and other state specific conditions are satisfied regarding good cause. Code. § 537A.10(8)(a)(1).

MARYLAND

Franchise Registration and Disclosure Law, MD. CODE ANN., BUS. REG. §§ 14-201 to -233.
Fair Distributorship Act, MD. CODE ANN., COM. LAW II §§ 11-1301 to -1307.

Choice of Law and Forum

Section 14-216(c)(25) of the Maryland Franchise Law requires a franchisor to file an irrevocable consent to be sued in Maryland. A franchisee may sue in Maryland for claims arising under that Law.

Periods of Limitation

Under Section 14-227(e) of the Maryland Franchise Law, a franchisee may bring a lawsuit in Maryland for claims arising under that Law for a period of three years after a franchise is granted.

Waivers and Releases

Section 14-226 of the Maryland Franchise Law and Section 02.02.08.16L of the Code of Maryland Regulations prohibit a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing,

renewing or assigning a franchise. When prospective franchisees disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Law when purchasing a franchise, such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Law. Any general release required as a condition of renewal, sale, transfer or assignment shall not apply to any liability under the Law.

MICHIGAN

Franchise Investment Law, MICH. COMP. LAWS §§ 445.1501 to .1546.

Arbitration

Any provision requiring that arbitration or litigation be conducted outside of Michigan is void and unenforceable. A franchisee may enter into an agreement, at the time of arbitration, to conduct arbitration at a location outside of Michigan. LAWS § 445.1527(f).

Covenants Not To Compete

LAWS §§ 445.771 *et seq*.

Franchisee Associations

Provisions prohibiting franchisees from joining franchisee associations are void and unenforceable. LAWS § 445.1527(27)(a).

Relationship Laws

Any provision allowing a franchisor to terminate a franchise prior to the expiration of its term except for good cause is void and unenforceable. Good cause includes the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice and a reasonable opportunity, which need not be more than 30 days, to cure the failure. LAWS § 445.1527(27)(c).

Any provision that allows a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings is void and unenforceable. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision of the law applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by an agreement from continuing to conduct substantially the same business under another trademark or name in the same area after the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise. LAWS § 445.1527(27)(d).

Any provision allowing the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances is void and unenforceable. A renewal provision is not required. LAWS § 445.1527(27)(e).

Any provision that allows the franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause, is void and unenforceable. Good cause includes: (i)

the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards, (ii) the fact that the proposed transferee is a competitor of the franchisor, (iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations, and (iv) the failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer. LAWS § 445.1527(27)(g).

Any provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor is void and unenforceable. The law does not prohibit provisions allowing a franchisor to exercise a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, or allowing a franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in Section 445.1527(27)(c) of the Law. LAWS § 445.1527(27)(h).

Any provision that permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee is void and unenforceable unless provision has been made for providing the required contractual services. LAWS § 445.1527(27)(i).

Waivers and Releases

A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives the franchisee of rights under the Law is void and unenforceable, but the settlement of disputes is not prohibited. LAWS § 445.1527(27)(b).

MINNESOTA

Franchises, MINN. STAT. §§ 80C.01 to .30.

Choice of Law and Forum

Nothing in the franchise agreement shall in any way abrogate or reduce any rights of the franchisee as provided for in Chapter 80C of the Statutes. STATUTES § 80C.21 and MINN. R. 2860.4400J. A risk factor statement on the Disclosure Document cover page that a franchisee must litigate in a state other than Minnesota does not apply in Minnesota.

Liquidated Damages

Liquidated damage provisions are void. MINN. R. 2860.4400J.

Period of Limitation

An action for a violation of Chapter 80C of the Statutes may not be commenced more than three years after the cause of action accrues. STATUTES § 80C.17(5).

Relationship Laws

Except in certain specified cases, a franchisee must be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement. STATUTES § 80C.14(3)-(5).

Any termination penalty provision is void. MINN. R. 2860.4400J.

Trademarks

The Commissioner has determined that it is unfair for the franchisor not to protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the name within the intent of Section 80C.12(1g) of the Minnesota Statutes.

Waivers and Releases

A franchisee cannot assent to a release, assignment, novation or waiver of liability imposed by Minnesota law, waive rights to a jury trial or to any procedure, forum, or remedies provided by the laws of Minnesota, or consent to the franchisor obtaining injunctive relief, but the voluntary settlement of disputes is not prohibited. STATUTES § 80C.21 and MINN. R. 2860.4400D and .4400J.

MISSISSIPPI

Franchises, MISS. CODE ANN. §§ 75-24-51 to -63.

MISSOURI

Franchises, MO. REV. STAT. §§ 407.400 to .420.

NEBRASKA

Franchise Practices Act, NEB. REV. STAT. §§ 87-401 to -410.

NEW JERSEY

Franchise Practices Act, N.J. REV. STAT. §§ 56:10-1 to -12.

NEW YORK

Franchises, N.Y. GEN. BUS. LAW §§ 680-695.

Bankruptcy Disclosure

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular has: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

Choice of Law and Forum

The franchise agreement has been made and accepted in the state listed on the cover page of the Franchise Disclosure Documents and it will be interpreted in accordance with and governed by the laws of that state and any applicable federal and state franchise laws. You hereby consent to jurisdiction in that state. However, the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisor or upon the Franchisee by Article 33 of the General Business Law of the State of New York.

Litigation Disclosure

In addition to the general litigation disclosure requirements applicable to all states, as described above, New York requires the disclosure of all pending actions alleging a felony or misdemeanor; all felony convictions; any misdemeanor conviction within the past ten years; any currently effective order of any national securities association or exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership; and any currently effective injunction or order relating to business activity as a result of an action brought by a public agency, including actions affecting a license as a real estate broker or sales agent. LAW § 683.2(e) and N.Y. COMP. CODES R. & REGS. tit. 13, § 200.2.

Termination and Nonrenewal

You may terminate the franchise agreement on any grounds available by law.

Litigation Disclosure

In addition to the general litigation disclosure requirements applicable to all states, as described above, New York requires the disclosure of all pending actions alleging a felony or misdemeanor; all felony convictions; any misdemeanor conviction within the past ten years; any currently effective order of any national securities association or exchange (as defined in the Securities and Exchange Act of 1934) suspending or expelling such person from membership; and any currently effective injunction or order relating to business activity as a result of an action brought by a public agency, including actions affecting a license as a real estate broker or sales agent. LAW § 683.2(e) and N.Y. COMP. CODES R. & REGS. tit. 13, § 200.2.

Waivers and Releases

All rights enjoyed by the franchisee and any causes of action arising in its favor from the provisions of the General Business Law of the State of New York and the regulations thereunder shall remain in force; it being the extent of this proviso that the non-waiver provisions of Sections 687.4 and 687.5 of the Law be satisfied.

NORTH DAKOTA

Franchise Investment Law, N.D. CENT. CODE §§ 51-19-01 to -17.

Arbitration

The Commissioner has determined that franchise agreements which provide that the parties agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business are unfair, unjust or inequitable within the intent of Section 51-19-09(i) of the Law.

Choice of Law and Forum

The Commissioner has determined that franchise agreements which provide that the parties agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business, or which require franchisees to consent to the jurisdiction of courts outside of North Dakota, or which specify that the parties are to be governed by the laws of a state other than North Dakota, are unfair, unjust or inequitable within the intent of Section 51-19-09(i) of the Law.

Covenants Not To Compete

N.D. CENT. CODE § 9-08-06. Covenants not to compete may not be enforceable in North Dakota. The Commissioner has determined that covenants restricting competition contrary to Section 9-08-06 of the Law, without further disclosing that such covenants may be subject to this Law, are unfair, unjust, or inequitable within the intent of the Section 51-19-09(i) of the Law.

Liquidated Damages

The Commissioner has determined that liquidated damages provisions are unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

Termination

The Commissioner has determined that provisions consenting to termination are unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

Periods of Limitation

The Commissioner has determined that requiring a franchise to consent to limit its claims to those that are brought within a certain time frame is unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

Waivers and Releases

The Commissioner has determined that requiring a franchisee to consent to a waiver of trial by jury, or to consent to a waiver of exemplary and/or punitive damages, is unfair, unjust and inequitable within the intent of Section 51-19-09(i) of the Law.

OKLAHOMA

Covenants Not To Compete

OKLA. STAT. § 15-217-19.

OREGON

Franchise Transactions, OR. REV. STAT. §§ 650.005 to .085.

RHODE ISLAND

Franchise Investment Act, R.I. GEN. LAWS §§ 19-28.1-1 to 19-28.1-34.

Choice of Law and Forum

A provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act. LAWS § 19-28.1-14.

SOUTH DAKOTA

Franchise Investment, S.D. CODIFIED LAWS §§ 37-5B-1 to -53.

Arbitration

A written provision in a franchise contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of the contract or transaction, or the refusal to perform the whole or any part thereof, or an agreement in writing to submit to arbitration an existing controversy arising out of the contract, transaction, or refusal, is valid, irrevocable, and enforceable except upon such grounds as exist at law or in equity for the revocation of any contract. However, any condition, stipulation, or provision requiring a franchisee to waive compliance with or relieving a person of a duty or liability imposed by or a right provided by this chapter or a rule or order under this chapter is void. S.D. CODIFIED LAWS § 53-5B-21.

Liquidated Damages

Liquidated damage provisions are void. S.D. CODIFIED LAWS § 53-9-5.

Waivers and Releases

No person may, directly or indirectly, in connection with the offer or sale of a franchise disclaim or require a prospective franchisee to waive reliance on any representation made in the disclosure document or in its exhibits or amendments. However, this provision is not intended to prevent a prospective franchisee from voluntarily waiving specific contractual terms and conditions set forth in his or her disclosure document during the course of franchise sale negotiations S.D. CODIFIED LAWS § 53-5B-26(8).

VIRGINIA

Retail Franchising Act, VA. CODE ANN. §§ 13.1-557 to -574.

Relationship Laws

Any “cross-default” provision in a franchise agreement in which a default by a franchisee on one agreement will cause a default in any other agreements with the franchisor is not enforceable when applied to a franchisee in Virginia because Virginia law prohibits any provision that allows a franchisor to cancel a franchise without reasonable cause or to use

undue influence to induce a franchisee to surrender any right given to him by any provision in the franchise. § 13.1-564.

WASHINGTON

Franchise Investment Protection Act, WASH. REV. CODE §§ 19.100.010 to .940.

Termination and Renewal

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

Arbitration

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

Choice of Law and Forum

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

Covenants Not To Compete

Every contract, combination, in form of trust or otherwise, or conspiracy in restraint of trade or commerce is hereby declared unlawful. Washington Revised Code §19.86.030

Waivers and Releases

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer Fees

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

WISCONSIN

Franchise Investment Law, WIS. STAT. §§ 553.01 to .78.
Fair Dealership Law, WIS. STAT. §§ 135.01 to .07.

Relationship Laws

To the extent any provisions of the franchise agreement regarding notice of termination or a change in the franchise agreement conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law will apply.

PUERTO RICO

Dealers' Contracts, P.R. LAWS ANN. tit. 10, §§ 278-278d.

VIRGIN ISLANDS

Franchised Business, V.I. CODE ANN. tit. 12A, §§ 130-139.

IN WITNESS WHEREOF the parties have signed this State Law Addendum as of this ___ day of _____, 20__.

FRANCHISEE
[use for a corporation, partnership, limited liability company, trust, or other form of entity]:

_____
(Full Legal Name of Entity)

By: _____
(Signature)

_____
(Type or Print Name)

Its: _____
(Title)

FRANCHISEE
[use for a sole proprietorship or ownership by multiple individuals]:

_____
(Signature)

_____
(Type or Print Name)

_____
(Signature)

_____
(Type or Print Name)

FRANCHISOR:

By: _____
(Signature)

_____
(Type or Print Name)

Its:_____

EXHIBIT C

BRAKE MASTERS SYSTEMS, INC.

FRANCHISE AGREEMENT

TABLE OF CONTENTS

Section **Page**

1. GRANT OF LICENSE 1

1.1. Recitals 1
1.2. Grant 1
1.3. Area 1

2. OPENING 1

2.1. Pre-Opening Obligations 1
2.2. Opening Schedule 1
2.3. Early Termination 1

3. LOCATION 2

3.1. Site Selection 2
3.2. Lease 2
3.2.1. Terms 2
3.2.2. Designation of Location in Exhibit 1 2
3.3. Leasehold Improvements and Equipment 2
3.3.1. Guidelines 2
3.3.2. Construction Contracts 3
3.3.3. Opening 3
3.4. Signs 3
3.5. Relocation 3

4. FEES AND PAYMENTS 3

4.1. Initial Fees 3
4.1.1. Franchise Fee 3
4.1.2. Software License Fee 3
4.2. Royalty Fees 3
4.3. Advertising 3
4.3.1. Advertising by Franchisee 3
A. Grand Opening Advertising 3
B. Telephone Number, Yellow Pages Advertising and Gift Card/Loyalty Programs 4
C. Internet Advertising and Email Addresses 4
4.3.2. Area Advertising Cooperatives 4
A. Participation 5
B. Assessments 5
4.3.3. Research, Development, Quality Assurance, Advertising and Promotion (Advertising and Support Fund) 5
A. Contributions 5
B. Use of Funds 5
4.3.4. System Advertising Fund 5
A. Contributions 5
B. Use of Funds 5
C. Local Advertising 6

Section **Page**

4.3.5 National Advertising Fund 6
A. Contributions 6
B. Use of Funds 6
4.3.6. Contributions by Franchisor 6
4.3.7. Administration of Advertising Funds 7
A. Discretionary Application 7
B. Management and Reports 7
4.3.8. Franchisor Approval 7
4.4. Gross Sales 7
4.5. Records and Reports 7
4.5.1. Records 7
4.5.2. Reports 8
4.5.3. Financial Statements 8
4.5.4. Audits 8
4.5.5. Confidentiality 8
4.6. Delinquent Payments 8
4.7. Security Agreement 8
4.7.1. Grant of Security Interest in Collateral 8
4.7.2. Authorization of Filings 9
4.7.3. Subordination by Franchisor 9
4.8. Guaranties 9
4.9. Payments To Be Net of Taxes 9
4.9.1. Franchisor Taxes 9
4.9.2. Taxes To Be Paid by Franchisee 9
4.10. Payments by Electronic Funds Transfer 9

5. TERM AND RENEWAL 10

5.1. Term 10
5.2. No Renewal 10
5.3. Temporary Continuation 10

6. OPERATIONS 10

6.1. Services and Products 10
6.2. Management 10
6.2.1. Owner Representative 10
6.2.2. Operations Manager 10
6.2.3. Staff 10
6.3. Operating Hours 10
6.4. Expenses 10
6.5. Compliance with Laws & Data Security 11
6.6. Insurance 11
6.6.1. Required Coverage 11
6.6.2. Procurement by Franchisor 11
6.6.3. Adjustments 12
6.7. Warranty Programs 12

7. INDEMNIFICATION 12

7.1. Indemnification by Franchisee 12
7.2. Indemnification by Franchisor 12

Section **Page**

7.3. Notice 12

8. FRANCHISOR SERVICES 13

8.1. Initial Training 13
8.1.1. Curriculum 13
8.1.2. Expenses 13
8.1.3. Completion 13
8.1.4. Managers 13
8.1.5. Confidentiality and Noncompetition Agreement 13
8.2. Continuing Training 13
8.3. Assistance 13
8.4. Purchasing 13
8.5. Computer Software 14
8.5.1. Use 14
8.5.2. Confidentiality 14
8.5.3. Modification 14
8.5.4. Limitation of Warranty 14
8.5.5. Enhancements 14
8.5.6. Support 14

9. PROTECTION OF THE SYSTEM 15

9.1. System 15
9.1.1. Definitions 15
A. Trade Secrets 15
B. Information 15
C. Marks 15
D. System 15
9.1.2. Modifications 15
A. Additional Products/Services 15
B. Other Marks 15
C. Implementation 15
9.1.3. Variances 15
9.2. Manuals 16
9.3. Standards 16
9.3.1. Management 16
9.3.2. Specifications 16
9.3.3. Inspections 16
9.3.4. Remodeling 16
9.4. Marks, Trade Secrets and Information 16
9.4.1. Ownership 16
9.4.2. Usage 17
9.4.3. Notice 17
9.4.4. Franchisee's Names 17
9.4.5. Defense of Marks 17
9.5. Confidentiality 17
9.6. Noncompetition 18
9.6.1. Covenant 18
A. Competitive Business 18
B. Region 18
C. Time Period 18

Section **Page**

9.6.2. Modification 19
9.7. No Solicitation 19
9.8. Confidentiality and Noncompetition Agreements 19

10. ASSIGNMENT 19

10.1. Assignment by Franchisee 19
10.1.1. Compliance with Law 19
10.1.2. Qualified Assignee 19
10.1.3. Franchise Agreement 20
10.1.4. Other Obligations 20
10.1.5. Training 20
10.1.6. Transfer Fee 20
10.1.7. Right of First Refusal 20
10.1.8. Remodeling 20
10.1.9. Releases and Subordination 20
10.1.10. Price and Terms 20
10.1.11. Franchise Disclosure 20
10.1.12. Indemnification 20
10.2. Franchisee's Incorporation 20
10.2.1. Corporate Liability 20
10.2.2. Guaranty 21
10.3. Franchise Owned by a Corporation, Partnership or Other Legal Entity 21
10.3.1. Owners 21
10.3.2. Change of Ownership 21
10.4. Rights of Heirs or Personal Representatives 21
10.4.1. Option 21
10.4.2. Conditions 21
10.4.3. Failure to Exercise Option or Satisfy Conditions 21
10.4.4. Interim Operation 21
10.5. Right of First Refusal 21
10.6. Transfer by Franchisor 22

11. DEFAULT, TERMINATION AND EXPIRATION 22

11.1. Early Termination 22
11.1.1. Termination by Franchisee Before Opening 22
11.1.2. Franchisee's Pre-Opening Default 22
11.1.3. Refund 22
11.2. Termination for Default 22
11.2.1. Without Right to Cure 22
A. Bankruptcy 23
B. Abandonment 23
C. Misconduct 23
D. Repeated Breaches 23
E. Seizure 23
F. Criminal Acts 23
G. Default Under Other Agreements 23
H. Public Danger 23
H. Unilateral Repudiation 23
11.2.2. Franchisee's Right to Cure 24
A. Failure to Make Payments 24

Section **Page**

B. Other Defaults 24
C. Franchisor's Obligations 24
11.2.3. Franchisor's Right to Cure 24
11.2.4. Extended Cure Period 24
11.3. Statutory Notice 24
11.4. Rights and Obligations Upon Expiration or Termination 24
11.4.1. Payment 24
11.4.2. Franchise Revoked 24
11.4.3. Option to Purchase Assets 25
A. Franchisor's Option 25
B. Appraisal 25
C. Setoffs 25
11.5. Continuing Obligations 26

12. ENFORCEMENT 26

12.1. Choice of Law and Venue 26
12.1.1. Applicable Law 26
12.1.2. Venue 26
12.2. Contractual Statute of Limitations 26
12.3. Mediation 26
12.4. Binding Arbitration 27
12.4.1. Subjects 27
12.4.2. Procedures 27
12.4.3. Discovery 27
12.4.4. Injunctive Relief 27
12.4.5. Individual Proceedings 27
12.5. Injunction 27
12.6. Right of Franchisor to Cure Defaults 28
12.7. Waiver of Punitive Damages 28
12.8. Attorneys' Fees 28

13. MISCELLANEOUS 28

13.1. Relationship of Parties 28
13.2. Notices 28
13.2.1. Addresses 28
13.2.2. Disclosure 29
13.3. Time 29
13.4. Interpretation 29
13.4.1. Entire Agreement 29
13.4.2. Amendments 29
13.4.3. Franchisor Approval 29
13.4.4. Waiver and Delay 29
13.4.5. Severability 30
13.4.6. Construction 30
13.5. Successors 30
13.6. Submission of Agreement 30
13.7. Acknowledgements 30
13.7.1. Risks 30
13.7.2. No Other Representations 30
13.7.3. Advisors 31

Section **Page**

Exhibit "1" – Terms
Exhibit "2" – Guaranty
Exhibit "3" – Confidentiality and Noncompetition Agreement
Exhibit "4" – Confidentiality Agreement

DEFINED TERMS

Term	Section/Paragraph for Location of Definition
Advertising and Support Fees	4.3.3A
Advertising and Support Fund	4.3.3A
Advertising Cooperative	4.3.2
Advertising Fees	4.3.6
Advertising Funds	4.3.7A
Affiliate	1.3
Agreement	First Paragraph
Area	1.3
Assignment	10.1
BMSI Software	8.5
BRAKE MASTERS Limited Warranty	6.7
Competitive Business	9.6.1A
Delinquent Interest	4.6
Franchise Business	1.2
Franchise Fee	4.1.1
Franchisee	First Paragraph
Franchisor	First Paragraph
Franchisor Taxes	4.9.1
Good Standing	4.7.3
Gross Sales	4.4
Guarantor(s)	4.8
Guaranty	4.8
Information	9.1.1B
Manager	6.2.2
Manuals	9.2
Marks	9.1.1C
National Advertising Fees	4.3.5A
National Advertising Fund	4.3.5A
Other Taxes	4.9.2
Owner Representative	6.2.1
Personal Identifiable Information	6.5
Region	
Royalty Fees	4.2
System	9.1.1D
System Advertising Fees	4.3.4A
System Advertising Fund	4.3.4A
Time Period	9.6.1C
Trade Secrets	9.1.1A

This FRANCHISE AGREEMENT (the "**Agreement**") is made by and between BRAKE MASTERS SYSTEMS, INC., an Arizona corporation ("**Franchisor**"), and the undersigned ("**Franchisee**"), whose full name and address are set forth in Exhibit "1."

1. GRANT OF LICENSE.

1.1. Recitals. Franchisor's affiliate Auto Brakes, Inc. has developed, and has conveyed to Franchisor a comprehensive system for operating and marketing stores known as "BRAKE MASTERS" which primarily service and repair automobile brakes. The BRAKE MASTERS system incorporates specific service methods, procedures, advertising formats, promotional plans, market research methods, and record and bookkeeping methods. Franchisee has applied to Franchisor for a license to operate a BRAKE MASTERS store.

1.2. Grant. In consideration of Franchisee's representations and the mutual agreements herein contained, Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, a franchise to operate a single BRAKE MASTERS store (the "**Franchise Business**") and a license to use the System, including the Marks, the Information and the Manuals (all as defined in Article 9), subject to the terms and conditions of this Agreement.

1.3. Area. While this Agreement is in effect, Franchisor agrees that, except as provided in the following sentence, it will not itself, or through an entity at least 51% owned by, owning or under common ownership with the Franchisor (an "**Affiliate**") or other franchisees, permit any other BRAKE MASTERS store to be located within the following area (the "**Area**"): (a) 3 miles of the site for the Franchise Business approved by Franchisor, or (b) if the approved site is in a county with a population of less than 30,000 people, within that county for so long as the county has a population of less than 30,000, and thereafter within 3 miles of the approved site. Franchisor or its Affiliates may, however, establish BRAKE MASTERS stores within or adjacent to any national or regional "chain" store (having stores in two or more states) located in or out of the Area; provided, however, that Franchisor shall give Franchisee a first right of refusal to handle any such business or open any such BRAKE MASTERS store in the Area if Franchisor has the right to do so under the terms of its contract for any such business or location. Franchisee shall have one month to exercise any such right of refusal. Franchisee may not provide mobile services outside the Area. Franchisor retains all rights to operate or license BRAKE MASTERS stores located anywhere outside the Area, and to sell BRAKE MASTERS or other brand products anywhere in or out of the Area through other channels of trade.

2. OPENING.

2.1. Pre-Opening Obligations. After the execution of this Agreement, and prior to the opening of the Franchise Business, Franchisee shall: (a) complete training as required by Section 8.1; (b) prepare a business plan in consultation with Franchisor; and (c) obtain a site for, and construct, equip, furnish and stock the Franchise Business, all as provided in Article 3.

2.2. Opening Schedule. Within twelve months following the date of this Agreement, Franchisee shall obtain a site, construct or renovate, equip, furnish, stock and open the Franchise Business to the public in compliance with all the provisions of this Agreement. An extension of time for any deadline specified in Article 2 or 3 shall only be granted if Franchisee can demonstrate to Franchisor's reasonable satisfaction that the need for additional time to open is due to unforeseeable delays not due to Franchisee's neglect, misconduct or financial inability. Any such extension must be in writing.

2.3. Early Termination. If Franchisee has not fulfilled the requirements of Sections 2.1 and 2.2 within eight months of the date of this Agreement or any later date agreed to by Franchisor in writing, Franchisor may terminate this Agreement as provided in Section 11.1.

3. LOCATION.

3.1. Site Selection. If Franchisee does not have a location for the Franchise Business when this Agreement is executed, Franchisee shall select a specific location for the Franchise Business within the geographic boundaries specified in Paragraph 3.1 of Exhibit "1" in accordance with Franchisor's guidelines, and subject to Franchisor's prior written approval, within nine months of the effective date of this Agreement as specified in Paragraph 5.1 of Exhibit "1." Franchisor shall review a proposed site within two months after receipt of the site proposal in writing from Franchisee. Franchisor's identification or consent of a site does not constitute a guarantee, recommendation or assurance as to the success of the site or the Franchise Business. Franchisor agrees that, except as provided in the following sentence, it will not itself, or through its Affiliates or other franchisees, permit any BRAKE MASTERS store to be located within those geographic boundaries until a site is approved by Franchisor, but not to exceed a period of three months, unless extended as provided in Section 2.3. Franchisor or its Affiliates may establish BRAKE MASTERS stores within or adjacent to any national or regional "chain" store (having stores in two or more states) located in or out of the geographic boundaries specified in Paragraph 3.1 of Exhibit "1"; provided, however, that Franchisor shall give Franchisee a first right of refusal to handle any such business or open any such BRAKE MASTERS store within the specified geographic boundaries if Franchisor has the right to do so under the terms of its contract for any such business or location. Franchisee shall have one month to exercise any such right of refusal.

3.2. Lease.

3.2.1. Terms. Franchisee shall lease or purchase a site for the Franchise Business within ten months of the effective date of this Agreement as specified in Paragraph 5.1 of Exhibit "1." The purchase contract or lease for the site is subject to Franchisor's prior written approval. Each lease shall expressly provide that: (a) the premises can be used only for a Brake Masters® brake repair and service store; (b) in the event of Franchisee's default, the lessor shall give Franchisor the same notice required to be given to Franchisee, and Franchisor shall have the right, but not the obligation, to cure the default (the cost of which shall be immediately reimbursed to Franchisor by Franchisee); and (c) the lease is immediately assumable by Franchisor, at Franchisor's option, upon the expiration and non-renewal of this Agreement, or the early termination of this Agreement for any reason other than an Assignment in compliance with Article 10, without the further authorization or consent of the lessor. If Franchisee leases and then subsequently buys the site for the Franchise Business, Franchisor will continue to have the right to lease the site from Franchisee under the same terms as the Franchisee's lease as provided in subpart (c) above. In addition, if the Franchise Business is operated on property owned by Franchisee, (i) Franchisee shall be deemed by this Agreement to have granted Franchisor the option to buy the property at its fair market value, and (ii) Franchisee shall execute and deliver a notice of this option, in form and substance satisfactory to Franchisor, which Franchisor may record. In the event that the parties cannot agree on a purchase price, the price shall be determined by appraisal as set forth in Paragraph 11.4.3B.

3.2.2. Designation of Location in Exhibit "1." After approving the purchase agreement or lease for a site, Franchisor is hereby authorized to insert the site address in Paragraph 3.2.2 of Exhibit "1."

3.3. Leasehold Improvements and Equipment.

3.3.1. Guidelines. Franchisee, at his sole cost and expense, shall install and maintain in safe, clean and good condition, all leasehold improvements, fixtures, furnishings and equipment for the Franchise Business in accordance with Franchisor's guidelines and the Manuals. Following the execution of this Agreement, Franchisor shall furnish Franchisee with Franchisor's standard guidelines for the interior appearance, design and layout, leasehold improvements and fixtures for a BRAKE MASTERS store. Franchisor shall also provide Franchisee with lists of required and recommended equipment, including without limitation, computers, smart terminals, and related equipment and software, and for tools, furnishings, supplies, inventory, signs and other items to be used, sold or installed in the Franchise Business.

3.3.2. Construction Contracts. No contract for the construction or installation of leasehold improvements, fixtures or equipment may be executed by Franchisee until Franchisee's plans for interior and exterior design, floor plans, leasehold improvements, equipment installation and fixtures have been approved by Franchisor in writing. Franchisee is solely responsible for hiring contractors, all of whom must hold all licenses required by law, obtaining any necessary building, occupancy and related permits, insuring that development of the premises conforms to applicable local ordinances, building codes, zoning requirements and Franchisor's specifications, and for all costs incurred in connection therewith.

3.3.3. Opening. The Franchise Business may not be opened to the public if it is not constructed and equipped in strict conformity with plans and specifications approved by Franchisor. Franchisee shall not open the Franchise Business before receiving Franchisor's final inspection and approval.

3.4. Signs. Franchisee shall display at the Franchise Business such signs, advertising, slogans and symbols as Franchisor may prescribe from time to time, subject to lease and local zoning restrictions. Franchisee shall purchase BRAKE MASTERS signs from Franchisor's Affiliate or a supplier approved by Franchisor.

3.5. Relocation. Franchisee shall use his best efforts to obtain a lease term and renewals for the premises of the Franchise Business extending through the term of this Agreement. In the event the lease expires or is cancelled for reasons other than Franchisee's default, and cannot be extended or renewed on reasonable terms, Franchisee shall promptly relocate the Franchise Business at his sole cost and expense (including reimbursement of Franchisor's reasonable expenses for approvals and assistance) to a site, and on lease terms, in accordance with this Article 3. Any new location must service substantially the same trade area and not violate any other party's area rights.

4. FEES AND PAYMENTS.

4.1. Initial Fees.

4.1.1. Franchise Fee. Upon the execution of this Agreement, Franchisee shall pay Franchisor an initial franchise fee (the "**Franchise Fee**"), as specified in Paragraph 4.1.1 of Exhibit "1," which shall be nonrefundable except as provided in Subsection 11.1.3.

4.1.2. Software License Fee. Upon delivery of the BMSI Software (as defined in Section 8.5) to Franchisee, Franchisee shall pay a software license fee, in the amount specified in Paragraph 4.1.2 of Exhibit "1." The software license fee is nonrefundable.

4.2. Royalty Fees. Commencing on the date Franchisee opens the Franchise Business, Franchisee shall pay Franchisor nonrefundable royalty fees ("**Royalty Fees**") equal to the percentage of Franchisee's Gross Sales (as defined in Section 4.4) specified in Paragraph 4.2 of Exhibit "1". Royalty Fees shall be due and payable by the tenth day of each month for Gross Sales made during the prior month. Franchisee agrees that Franchisor may at its option institute electronic funds payment of Royalty Fees and Advertising Fees directly from Franchisee's bank account to Franchisor's bank account. Franchisee agrees, at the request of Franchisor, to execute such documents as may be necessary to permit and facilitate the electronic transfer of such funds, and to maintain all financial accounts at a financial institution which can and will handle such electronic funds transfers.

4.3. Advertising.

4.3.1. Advertising by Franchisee.

A. Grand Opening Advertising. During the period from one month before the Franchise Business opens until three months after it opens, Franchisee shall spend at least the amount specified in Paragraph 4.3.1A of Exhibit "1" for local advertising for the grand opening of the Franchise Business.

B. Telephone Number, Yellow Pages Advertising and Gift Card/Loyalty Programs. Franchisee shall obtain a new telephone number and a white pages telephone directory listing solely for the use and benefit of the Franchise Business. If the Franchise Business participates in an area Advertising Cooperative as provided in Subsection 4.3.2, the Advertising Cooperative may require Franchisee to participate in the costs of a page yellow page advertisement. It is otherwise optional for Franchisee to obtain a yellow pages listing or a yellow pages advertisement but any listing or advertisement must also be for the sole use and benefit of the Franchise Business. BMSI has the right to require Franchisee to participate in any system-wide gift card or loyalty programs that BMSI develops or the System uses, as further described in the Manuals. Franchisor has the right to require Franchisee to include certain statements in Franchisee's advertising related to the System as described in the Manuals, including but not limited to statements regarding the availability of franchises, Franchisor's contact information, and social media information.

C. Internet Advertising and Email Addresses. Franchisor has a right to control all use of URL's domain names, websites, addresses, metatags, links, email address and other means of electronic identification or origin ("**e-names**") related to the Franchised Business and System. Franchisor also has the right to designate, approve, control or limit all aspects of Franchisees' use of the Internet, Intranet, World Wide Web, wireless technology, digital cable, use of e-names, email, websites, home pages, bulletin boards, chat rooms, email, linking, framing, on-line purchasing cooperatives, marketplaces, barter exchanges, and related technologies, methods, techniques, registrations, networking, and any electronic communication, commerce, computations, or any means of interactive electronic documents contained in a network of computers or similar devices linked by communications software (collectively, **"e-commerce**"). Accordingly, Franchisee may not establish an internet web-site, blog, bulletin board, chat room, barter exchange, home page, marketplace, Facebook page, Twitter account or any other electronic media form (collectively, "web-site") advertising the Franchise Business, or use the Franchisor's name or Marks, or any of its derivatives, in a website, in a web address, in a uniform resource locator or in any manner on the internet such as but not limited to, meta-tags, key words, linking or framing. Franchisor may establish an internet web-site with direct links to Franchisee web-pages that Franchisor may set-up for Franchisee, although Franchisor is not obligated to establish a web-site or provide a web-page for Franchisee. On a case-by-case basis, Franchisor in its sole discretion may authorize a franchisee to have a separate website under the terms and conditions Franchisor dictates. Any such website and its content are subject to Franchisor's prior approval and Franchisee agrees to promptly make any changes requested by Franchisor. If Franchisor permits Franchisee to have a social media account or if Franchisee sets up a social media account without Franchisor's approval, Franchisee agrees to provide Franchisor with the current passwords to any social media account that Franchisee uses to promote the Franchised Business within five days after opening the account, upon any changes, as part of any Transfer, upon termination and otherwise promptly upon Franchisor's request. Franchisee grants Franchisor the right to access any social media accounts to take corrective action if such advertising and postings are in violation of Franchisor's advertising policy, are misleading or misuse the Marks, and to operate such accounts after termination of this Agreement. Any and all photographs or other media posted to any social media or e-commerce platform must comply with all applicable laws, including federal and state laws governing copyright. Any email addresses used by the Franchisee for the Franchise Business are subject to Franchisor's email policy and approval as stated in the Manuals. Franchisee agrees to revise any email addresses within 15 days' notice to comply with Franchisor's policy. Franchisee agrees that Franchisor owns all right, title and interest in and to, any and all websites and e-names Franchisor commissions or utilizes or requires or permits Franchisee to utilize in connection with the System, or which bear the Franchisor's Marks or any derivative of the Franchisor's Marks. Franchisee recognizes and agrees that Franchisor also owns all rights and interest in any data collected via e-commerce related to the System, including any customer data, click-stream data, cookies, user data and hits and that such information is also included in Franchisor's Trade Secrets.

4.3.2. Area Advertising Cooperatives. Whenever there is more than one BRAKE MASTERS store in a particular marketing area, Franchisor may establish a cooperative to do joint advertising and educational and promotional programs for that area (an "**Advertising Cooperative**"). Franchisor may establish and realign cooperative marketing areas from time to time for the overall benefit of the System.

A. Participation. Each franchisee who owns a BRAKE MASTERS store in the marketing area designated by Franchisor shall automatically be a member of that Advertising Cooperative, and shall participate actively to the fullest extent permitted by law in all of its approved Advertising Cooperative programs. Each BRAKE MASTERS store in a cooperative (including stores operated by Franchisor and its Affiliates) shall be entitled to one vote on any matter being considered by the cooperative, except that if a franchisee is not in Good Standing (as defined in Section 4.7), that franchisee shall not be entitled to vote on any matter while not in Good Standing. If Franchisor does not operate a store in a marketing area, it shall be a non-voting advisory member of the Advertising Cooperative for that area, entitled to one week's advance notice of all meetings as provided in Subsection 13.2.1, and to attend all meetings of the Advertising Cooperative.

B. Assessments. Upon the approval of any advertising, educational and/or promotional programs by the Advertising Cooperative and Franchisor, Franchisee and all members of the Advertising Cooperative (including those who were not present, voted against a program, or were ineligible to vote because they were not in Good Standing) shall be obligated to contribute to the costs of the programs, and the general expenses of the Advertising Cooperative, allocated as determined by a vote of the members of the Cooperative. Franchisor shall have the right, but not the obligation, to enforce Franchisees' financial obligations to the Advertising Cooperative.

4.3.3. Research, Development, Quality Assurance, Advertising and Promotion (Advertising and Support Fund).

A. Contributions. Franchisee shall pay, as a nonrefundable contribution for research, development, quality assurance, advertising and promotion for the System ("**Advertising and Support Fees**") 1% of Franchisee's Gross Sales, calculated, due and payable into the "**Advertising and Support Fund**" in the same manner and at the same times as Royalty Fees.

B. Use of Funds. Advertising and Support Funds shall be used for such research, development, quality assurance, advertising, promotion or public relations programs as Franchisor, in its sole discretion, may deem necessary or appropriate to advertise or promote BRAKE MASTERS stores and to assure and enhance the name, goodwill, reputation and quality of the System and BRAKE MASTERS goods and services. Franchisor shall direct all such programs and activities, with sole discretion over the methods, types of support (including without limitation, training, store visits and written materials), creative concepts, materials, endorsements and media used, and the timing, placement and allocation thereof. Franchisee agrees that the Advertising and Support Fund may be used to meet any and all costs of maintaining, administering, developing, creating, directing and preparing national, regional or local research, development, quality assurance, advertising and promotion materials, programs and activities, including without limitation the costs of creating, preparing and conducting test marketing, surveys, direct mail/distribution, couponing (including loyalty program or gift card programs), television, radio, magazine, bill board, newspaper and other media programs and activities, training and inspection programs, updated Manuals and the costs of hiring others to assist therewith. Franchisor may elect to have a portion of its web-site be related to franchise sales and any advertising materials prepared with Advertising and Support Funds may state that franchises are available. Franchisee understands and acknowledges that the Advertising and Support Fund is intended to maximize the quality of the products and services provided by BRAKE MASTERS stores and general recognition and patronage of the Marks and BRAKE MASTERS stores, for the general benefit of all BRAKE MASTERS stores.

4.3.4. System Advertising Fund.

A. Contributions. Franchisee shall pay, as a nonrefundable contribution for research, development, advertising and promotion for the System ("**System Advertising Fees**") 4% of Franchisee's Gross Sales, calculated, due and payable into the "**System Advertising Fund**" in the same manner and at the same times as Royalty Fees.

B. Use of Funds. System Advertising Funds shall be used for such research, development, creation and/or placement of advertising as Franchisor, in its sole discretion, may deem

necessary or appropriate to advertise or promote BRAKE MASTERS stores and BRAKE MASTERS goods and services. Franchisor shall direct all such programs and activities, with sole discretion over the methods, creative concepts, materials, endorsements and media used, and the timing, placement and allocation thereof. Franchisee agrees that the System Advertising Fund may be used to meet any and all costs of maintaining, administering, developing, creating, directing and preparing national, regional or local development, creation, advertising and promotion materials and programs, including without limitation the costs of creating, preparing, conducting and/or media placement of direct mail/distribution, couponing (including loyalty program or gift card programs), television, radio, magazine, bill board, newspaper and other media programs and activities, and the costs of hiring others to assist therewith. Franchisor may elect to have a portion of its web-site be related to franchise sales and any advertising materials prepared with System Advertising Funds may state that franchises are available. In addition, Franchisor may, in its absolute discretion, use System Advertising Funds to reimburse individual franchisees for the same types of costs for their advertising (or their share of the costs for the same types of advertising by their Advertising Cooperative); *provided, however,* that no franchisee shall be reimbursed in any year more than that franchisee has paid in System Advertising Fees in that year.

C. Local Advertising. Franchisor may elect, in its sole and absolute discretion, not to collect System Advertising Fees, in which case Franchisee must spend at least the same amount Franchisee would otherwise be required to contribute to the System Advertising Fund for local advertising. Amounts contributed to an Advertising Cooperative pursuant to Section 4.3.2 shall be credited against Franchisee's local advertising requirements in lieu of contributions to the System Advertising Fund. Expenditures under Section 4.3.1 for grand opening advertising, telephone numbers, franchisee's individual yellow pages listings and advertising, and internet advertising will not be credited against Franchisee's local advertising requirements in lieu of contributions to the System Advertising Fund.

4.3.5. National Advertising Fund.

A. Contributions. At such time as Franchisor has 400 BRAKE MASTERS stores (including stores operated by Franchisor and its Affiliates), Franchisee shall pay, as a nonrefundable contribution for research, development, advertising and promotion for the System ("**National Advertising Fees**") of up to 1% of Franchisee's Gross Sales. At such time as Franchisor has 500 BRAKE MASTERS stores (including stores operated by Franchisor and its Affiliates), Franchisee shall pay National Advertising Fees of up to 2% of Franchisee's Gross Sales. National Advertising Fees shall be calculated, due and payable into the "**National Advertising Fund**" in the same manner and at the same times as Royalty Fees.

B. Use of Funds. National Advertising Funds shall be used for such research, development, creation and/or advertising programs as Franchisor, in its sole discretion, may deem necessary or appropriate to advertise or promote BRAKE MASTERS stores and BRAKE MASTERS goods and services. Franchisor shall direct all such programs and activities, with sole discretion over the methods, creative concepts, materials, endorsements and media used, and the timing, placement and allocation thereof. Franchisee agrees that the National Advertising Fund may be used to meet any and all costs of maintaining, administering, developing, creating, directing and preparing national, regional or local research, development, advertising and promotion materials, programs and activities, including without limitation the costs of creating, preparing and conducting test marketing, surveys, direct mail/distribution, couponing (including loyalty program or gift card programs), television, radio, magazine, bill board, newspaper and other media programs and activities, and the costs of hiring others to assist therewith. Franchisor may elect to have a portion of its web-site be related to franchise sales and any advertising materials prepared with National Advertising Funds may state that franchises are available. Franchisee understands and acknowledges that the National Advertising Fund is intended to maximize general recognition and patronage of the Marks and BRAKE MASTERS stores, for the general benefit of all BRAKE MASTERS stores.

4.3.6. Contributions by Franchisor. Each BRAKE MASTERS store operated by Franchisor or its Affiliates shall also pay Advertising and Support Fees, System Advertising Fees and

National Advertising Fees (collectively the "**Advertising Fees**") at the same percentages of Gross Sales as Franchisee is required to pay, to be paid and expended in the same manner as the Advertising Fees contributed by franchisees; *provided, however*, that the Franchisor and its Affiliates shall not contribute in the aggregate for any period more than all franchisees contribute in the aggregate for that period for that category of Advertising Fee.

4.3.7. Administration of Advertising Funds.

A. Discretionary Application. Franchisor shall have the right to determine, in its sole discretion, the location, and the composition of all geographic territories and market areas for the development and implementation of all programs for the Advertising and Support Fund, the System Advertising Fund and the National Advertising Fund (collectively the "**Advertising Funds**"), which may include assistance to individual or local groups of BRAKE MASTERS stores as deemed appropriate by Franchisor in its sole discretion. Up to 25% of Advertising Funds may be used for reasonable salaries, administrative costs and overhead (including taxes on the Advertising Funds) as Franchisor may incur in activities reasonably related to the administration of the Advertising Funds and their programs (including without limitation collecting and accounting for contributions to the Advertising Funds). Additionally, Advertising Funds may be used for the costs of any mediation, arbitration or litigation involving the Advertising Funds. Franchisee also acknowledges that Franchisor undertakes no obligation in administering these programs to ensure that expenditures which are proportionate or equivalent to Franchisee's Advertising Fees are made for the market area of the Franchise Business or that any BRAKE MASTERS store benefits directly or pro rata from the use of Advertising Funds.

B. Management and Reports. The Advertising Funds shall be held in one or more separate bank accounts managed by Franchisor or its nominee, accounted for separately from the other funds of Franchisor and not be used to defray any of Franchisor's general operating expenses except as expressly permitted in this Section 4.3. A report of the operations of the Advertising Funds shall be prepared annually by Franchisor and shall be made available to Franchisee upon written request. Franchisor may spend in any fiscal year an amount greater or less than the contributions to any of the Advertising Funds in that year, and Franchisor may make loans to any Advertising Fund bearing reasonable interest to cover any deficits of that Advertising Fund, and cause an Advertising Fund to invest any surplus for future use by the Advertising Fund. Except as expressly provided in this Section 4.3, Franchisor assumes no direct or indirect liability or obligation to Franchisee or any Advertising Fund with respect to the maintenance, direction or administration of any Advertising Fund, including without limitation any failure by any franchisees of the System to make any contributions to any Advertising Fund.

4.3.8. Franchisor Approval. All advertising and promotion done by Franchisee or an Advertising Cooperative, regardless of type of media used, shall be subject to Franchisor's prior written approval with respect to form and content, to be obtained in the following manner: A copy of the proposed advertising (specifying the anticipated publication date) shall be submitted to Franchisor for approval at least five days prior to use, in the manner provided for in Subsection 13.2.1. Franchisor's failure to respond within the designated period shall be deemed approval. Franchisor may withdraw its approval of any advertising by written notice to Franchisee, and Franchisee shall cease using such advertising as soon as practicable.

4.4. Gross Sales. "**Gross Sales**" as used in this Agreement shall mean the total revenues and full purchase price derived from all goods and services sold, whether wholly or partly for cash, or by check or credit card, and from all business conducted in, on or from the Franchise Business or arising out of its operations, less: (a) any sales taxes or excise taxes which are separately stated and collected by Franchisee from customers and paid to any federal, state or local taxing authority; and (b) the amount of any coupons, discounts or refunds given to customers.

4.5. Records and Reports.

4.5.1. Records. Franchisor has developed a recommended uniform system of accounting and record keeping, as set forth in the Manuals. Franchisee agrees to keep all records for the

Franchise Business in conformance with Franchisor's recommended system, and Franchisee shall be solely responsible for performing all record keeping duties. Franchisee agrees to purchase, install, maintain and use all equipment and software required for that purpose as provided in the Manuals, as they may be updated from time to time.

4.5.2. Reports. Franchisee shall furnish Franchisor with all operating reports and receipts for local advertising expenditures reasonably requested by Franchisor, in the formats reasonably requested by Franchisor, and shall allow Franchisor continuous access by electronic data transfer to all of Franchisee's data relating to the Franchise Business. Franchisee agrees to provide Franchisor with written weekly and yearly cash receipts, Royalty Fees and Advertising Fees reports, and other financial or accounting reports, including without limitation profit and loss statements and balance sheets.

4.5.3. Financial Statements. Franchisee shall furnish Franchisor with a monthly profit and loss statement within 20 days after the end of each month, and an annual financial statement within three months after the end of the year, in each case covering the operation of the Franchise Business and certified by Franchisee as true and correct. If Franchisee's financial statements shall at any time be compiled, reviewed or audited by a certified public accountant, Franchisee shall furnish Franchisor with a copy at no charge.

4.5.4. Audits. Franchisee shall keep and preserve all business records and operations reports, sales tax and other tax returns, bank books, duplicate deposit slips and all other evidence of Gross Sales and business transactions from the operation of the Franchise Business for at least one year. Such records shall be kept at the Franchise Business unless otherwise approved by Franchisor. While this Agreement is in effect and for one year after its termination or expiration, Franchisor or its representative shall have the right at any time during normal business hours to examine all the books of account, bank statements, documents, records, tax returns, papers and files of Franchisee relating to the Franchise Business. Franchisee agrees to provide Franchisor with a true and complete copy of all federal, state and local sales and income tax returns relating to the Franchise Business promptly following their filing, and Franchisee hereby waives any privilege pertaining thereto. Upon request by Franchisor, Franchisee shall make all such documents available for examination at the Franchise Business. If the examination discloses that the actual Gross Sales for any period exceed those reported by Franchisee, then the total amount of Royalty Fees and Advertising Fees payable on account of the deficiency shall be immediately due and payable, together with Delinquent Interest as provided in Section 4.6. In addition, if the amount of unreported Gross Sales exceeds 3% of actual Gross Sales, Franchisee shall pay all reasonable costs, expenses and overhead incurred by Franchisor in connection with such examination.

4.5.5. Confidentiality. Franchisor shall not disclose or communicate to others (including its other franchisees) any confidential financial information it obtains from Franchisee except as may be required in defense or prosecution of litigation, in connection with an Assignment by Franchisee pursuant to Article 10, by order of court or government agency, or otherwise by law. Franchisor may prepare and disseminate publicly consolidated statements or reports regarding the financial performance or operations of its franchisees so long as such reports do not disclose specific information or data with respect to individual operators.

4.6. Delinquent Payments. Franchisee shall pay Franchisor a late penalty of 10% of the amount due on all late payments due to Franchisor from Franchisee (including without limitation Advertising Fees and Advertising Cooperative assessments), together with interest ("**Delinquent Interest**") at the maximum usury rate allowed by law, but not more than 1.5% per month, from the date due until payment in full. Fees and charges required to be paid by Franchisee to Franchisor are not subject to any right of setoff.

4.7. Security Agreement.

4.7.1. Grant of Security Interest in Collateral. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the Franchise Business is located, all improvements to that real estate, and in all furniture, furnishings, fixtures,

equipment, inventory and supplies located at or used in connection with the Franchise Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefor, and all cash and noncash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee under this Agreement.

4.7.2. Authorization of Filings. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings and other documents necessary or desirable to evidence, perfect and continue the priority of the security interests granted herein. Franchisee also agrees to execute and deliver any such documents to Franchisor upon request.

4.7.3. Subordination by Franchisor. If Franchisee is in Good Standing (as defined below), Franchisor agrees upon request to execute subordinations of its security interests to suppliers, lenders and/or lessors furnishing the premises, equipment or financing for the Franchise Business. "**Good Standing**" as used in this Agreement shall mean that Franchisee is not in material default under this Agreement or any other agreement with Franchisor, or any other agreement pertaining to the Franchise Business, and no event shall have occurred and be continuing which, with notice or the passage of time or both, would constitute such a default.

4.8. Guaranties. If Franchisee is a corporation, a limited partnership whose general partner is a corporation, or any other type of legal entity, all officers, directors and owners holding a 20% or greater interest in the entity (the "**Guarantor(s)**") shall approve this Agreement in writing, furnish any personal financial information reasonably requested by Franchisor, and execute a personal guaranty of Franchisee's payments and performance obligations under this Agreement and any agreement executed upon renewal, in form and substance substantially in the form of Exhibit "2" attached hereto (the "**Guaranty**"). Principals who subsequently acquire or otherwise succeed to an interest in such an entity shall also be required to execute a Guaranty. To the extent required by law for any Guaranty to be enforceable, spouses must also sign the Guaranties.

4.9. Payments To Be Net of Taxes.

4.9.1. Franchisor Taxes. All payments made by Franchisee under this Agreement shall be made to Franchisor in the amounts specified hereunder, deducting only Franchisor Taxes (as defined below) if and to the extent any governmental authority legally requires Franchisee to withhold and pay such Franchisor Taxes directly to the governmental authority. "**Franchisor Taxes**" shall mean net income taxes, franchise taxes imposed in lieu of net income taxes, and gross receipts taxes, imposed on Franchisor as a result of a nexus or connection between Franchisor and the jurisdiction of the governmental authority imposing the tax (such as Franchisor owning property, or maintaining an office or having resident employees in the jurisdiction); provided, however, that Franchisor Taxes shall not include any taxes imposed on Franchisor based solely on Franchisor having executed, delivered or performed its obligations, or received payments under, or enforced, this Agreement.

4.9.2. Taxes To Be Paid by Franchisee. If any governmental authority imposes any Other Taxes (as defined below) on the payments made by Franchisee to Franchisor under this Agreement, the amounts payable to Franchisor by Franchisee shall be increased to the extent necessary to yield to Franchisor, after payment of the Other Taxes, the amounts specified under this Agreement, which shall be deemed net amounts. "**Other Taxes**" shall mean all taxes other than Franchisor Taxes, including without limitation income, stamp, receipts, or other taxes, levies, imposts, duties, charges, fees, deductions, or withholdings, imposed, levied, collected, withheld or assessed by any governmental authority.

4.10. Payments by Electronic Funds Transfer. Franchisor may elect, at its option, to require that Royalty Fees, Advertising Fees and/or Advertising Cooperative assessments be paid by electronic funds transfer from Franchisee's primary bank account to Franchisor's bank, in which case Franchisee

must sign and deliver to Franchisor such documents and authorizations as may be required by Franchisee's bank and Franchisor's bank to accomplish such electronic funds transfers.

5. TERM AND RENEWAL.

5.1. Term. The term of this Agreement shall commence upon the date specified in Paragraph 5.1 of Exhibit "1" and continue for twenty years, unless sooner terminated as provided in Article 11.

5.2. No Renewal. Neither party has any right or obligation to renew this Agreement upon the expiration of the term of this Agreement.

5.3. Temporary Continuation. In the event Franchisee continues to operate the Franchise Business following the expiration of this Agreement, such continuation shall be construed to be an extension only from month-to-month, governed by all of the provisions of this Agreement, and terminable by either party without cause on one month's notice.

6. OPERATIONS.

6.1. Services and Products. Franchisee shall at all times conduct the Franchise Business in a professional manner which enhances the reputation of the System, carry an inventory of products as specified in the Manuals, and offer the services and products, and only those services and products, authorized by Franchisor.

6.2. Management.

6.2.1. Owner Representative. If the initial Franchisee hereunder is a corporation, partnership or other legal entity, or if Franchisor approves an Assignment (as defined in Section 10.1) to a corporation, partnership or other legal entity pursuant to Article 10, Franchisee must designate a single individual (the "**Owner Representative**") who must be the president, chief executive officer or managing partner of the entity, and who must complete initial training as provided in Section 8.1, be approved by Franchisor, and be primarily responsible for Franchisee's performance under this Agreement.

6.2.2. Operations Manager. An individual Franchisee, or the Owner Representative for a Franchisee owned by a corporation, partnership or other legal entity, or a designated operations manager for a single BRAKE MASTERS store ("**Manager**") shall devote his full time best efforts to, and be responsible for the direct, day-to-day full time supervision of employees and for handling the administrative functions of the Franchise Business. Any initial Manager, and all subsequently hired Managers, must complete initial training as provided in Section 8.1 and be approved by Franchisor before assuming their responsibilities.

6.2.3. Staff. Franchisee shall at all times have a sufficient number of competent and trained employees, attired as provided in the Manuals, so as to enable Franchisee to operate the Franchise Business efficiently and in a manner consistent with the standards and specifications set by Franchisor. Notwithstanding any other provision of this Agreement, Franchisee, at his cost and expense, is responsible for training the employees for the Franchise Business to Franchisor's satisfaction.

6.3. Operating Hours. The Franchise Business shall be operated continuously while this Agreement is in effect, keeping operating hours observed in the automotive service business in the market area in which the Franchise Business is located, but in no event less than 60 hours per week and as required by Franchisee's lease.

6.4. Expenses. Franchisee shall be solely responsible for, and shall pay before delinquent (unless being contested in good faith): all operating expenses, taxes, levies and final judgments in connection with the operation of the Franchise Business, including without limitation all costs related to obtaining, purchasing, leasing, maintaining, repairing and/or replacing inventory, equipment and supplies needed to operate the Franchise Business, all salaries and wages of employees, and all business,

excise, sales, use, real and personal property taxes, and other taxes and assessments levied or imposed upon the Franchise Business.

6.5. Compliance with Laws & Data Security. Franchisee shall operate the Franchise Business in strict compliance with all applicable court orders, laws and regulations. Franchisee acknowledges and agrees that protection of any information that can be used to identify an individual, including names, addresses, telephone numbers, email addresses, social security numbers, employee identification numbers, signatures, passwords, financial information, credit card information, vehicle identification numbers, account numbers, biometric or health data, government-issued identification numbers and credit-report information ("Personal Identifiable Information") is necessary to protect the goodwill of the System. Accordingly, Franchisee agrees that Franchisee will implement all necessary administrative, physical and technical safeguards to cause the Franchise Business to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor, the standards set by applicable privacy laws, regulations and state and federal governmental agencies, and other regulations and industry standards applicable for the protection, safeguarding, access, storage and disposal of Personal Identifiable Information. Franchisee and its owners are solely responsible for educating themselves as to these regulations and standards and for achieving and maintaining applicable compliance certifications even if Franchisor provides Franchisee with any suggestions or guidance. Upon Franchisor's reasonable request, Franchisee agrees to permit Franchisor, its affiliates, area representatives and any third party vendors Franchisor designates to have independent unlimited access to all information generated by Franchisee's computer system. If Franchisee has a third party vendor for Franchisee's computer system, Franchisee agrees to sign a release providing Franchisor with unlimited access to Franchisee's data. Franchisee and its owners specifically agree to comply with any and all laws, regulations and orders relating to anti-terrorist activities including, but not limited to, Executive Order 13244. Franchisee and its owners confirm that neither Franchisee nor its owners are listed on any federally maintained list of specially designated nationals and blocked entities ("SDN List"). Franchisee and its owners agree to not hire or transact any business with any person or entity listed on the SDN List, which is currently available at www.treasury.gov. Franchisee and its owners specifically agree to comply with any state required employment verification programs and any federal employment verification programs such as E-Verify.

6.6. Insurance.

6.6.1. Required Coverage. Franchisee to secure and continuously maintain worker's compensation or similar insurance as required by law and liability insurance of not less than One Million Dollars ($1,000,000), with a deductible of not to exceed Two Thousand Five Hundred Dollars ($2,500). Franchisee shall maintain at all times while this Agreement is in effect, at Franchisee's expense, for the Franchise Business, such insurance as may be required by law, the terms of the lease for the Franchise Business, all leases of equipment used in the Franchise Business and as provided in the Manuals. All insurance obtained by Franchisee shall be in form acceptable to Franchisor, with insurers rated A or better in "Best's Insurance Guide," shall name Franchisor as co-insured and shall provide for the same advance notice of cancellation or adverse modification to be given to Franchisor as to Franchisee. Certificates of insurance for at least the minimum required coverages specified herein and in the Manuals shall be delivered to and retained by Franchisor. All insurance policies required by this Section 6.6 shall contain a waiver by the insurance carrier of all subrogation rights against Franchisor. All required insurance policies shall be renewed, and certificates of insurance, together with evidence of payment of premiums, delivered to Franchisor, at least one month prior to the respective expiration dates of existing policies.

6.6.2. Procurement by Franchisor. Should Franchisee fail to procure or maintain insurance policies as required by this Section 6.6, Franchisor may, at its option, without waiving its right to declare a material default hereunder, procure the same in Franchisee's name and bill Franchisee for all of its costs, which shall be immediately due and payable upon receipt of invoice.

6.6.3. Adjustments. Franchisor may, not more frequently than annually, require additional types of coverage and/or adjust coverage minimums and/or adjust deductibles, based on what is then reasonable and customary in the industry.

6.7. Warranty Programs. Franchisee shall participate in all automobile service warranty programs for stated parts and time periods offered through the BRAKE MASTERS System from time to time as specified in the Manuals. Specifically, Franchisee shall: (a) provide Franchisee's customers with a written limited warranty good at any BRAKE MASTERS store, for the free replacement of defective or worn parts without labor charges for 90 days, and thereafter for only the usual and customary charges for labor charged by the BRAKE MASTERS store honoring the warranty, without any charge for parts or materials (the "BRAKE MASTERS **Limited Warranty**"); and (b) honor all written BRAKE MASTERS Limited Warranties presented to Franchisee, whether issued by Franchisee, Franchisor, Franchisor's Affiliates or other franchisees of the BRAKE MASTERS System. With express written permission from Franchisor, Franchisee may offer an a different warranty provided that the warranty terms are not less than the standard BRAKE MASTERS Limited Warranty and Franchisee notifies its customers that its extended warranty is only valid at Franchisee's location. Under the BRAKE MASTERS Limited Warranty program, each franchisee who provides the standard warranty work may charge the store that issued the warranty an amount not to exceed the cost of the replacement part plus a percentage markup, and if the warranty work is performed within the 90 day warranty period for labor, a percentage of customary labor charges. Franchisee is not obligated to honor any non-standard BRAKE MASTERS Limited Warranty and other franchisees are not obligated to honor any non-standard warranty that Franchisee issues. If Franchisee elects to honor a non-standard warranty, Franchisee may only charge the store that issued the extended warranty for the standard warranty reimbursement as described above in this section. The percentages are specified in the Manuals and are subject to change by Franchisor from time to time. Franchisee agrees to pay Franchisor, Franchisor's Affiliates and other franchisees who perform standard warranty work under warranties issued by Franchisee in accordance with the Manuals. Franchisee shall also be entitled to all available refunds and/or credits from manufacturers for any defective or worn brake shoes and pads replaced by Franchisee pursuant to a BRAKE MASTERS Limited Warranty.

7. INDEMNIFICATION.

7.1. Indemnification by Franchisee. Except as otherwise expressly provided in Section 7.2, Franchisee agrees to defend, indemnify, exonerate and hold Franchisor, and Franchisor's officers, directors, employees and agents, harmless from and against any and all costs, expenses (including reasonable attorneys' fees and court costs), losses, liabilities, damages, causes of action, claims and demands whatsoever and however arising, including without limitation those arising out of or affecting this Agreement, the operation of the Franchise Business, or the equipment or supplies used in connection therewith, and whether arising from personal injury or property damage, or any other violation of the rights of others, or in any other manner.

7.2. Indemnification by Franchisor. Franchisor agrees to defend, indemnify, exonerate and hold Franchisee, and Franchisee's officers, directors, employees and agents, harmless from and against any and all costs, expenses (including reasonable attorneys' fees and court costs), losses, liabilities, damages, causes of action, claims and demands whatsoever arising solely from Franchisee's use of any Mark in full compliance with the terms of this Agreement and as required by the Manuals. Franchisee agrees to execute such documents and to perform such actions as may, in the judgment of Franchisor, be necessary, appropriate or advisable in connection with any such matter.

7.3. Notice. An indemnitee entitled to indemnification under this Article 7 shall give notice to the indemnitor of a claim or other circumstances likely to give rise to a request for indemnification, promptly after the indemnitee becomes aware of the same. An indemnitor shall be afforded the opportunity to undertake the defense of and to settle by compromise or otherwise any claim for which indemnification is available under this Article 7, with legal counsel approved by the indemnitee (which approval shall not unreasonably be withheld). If an indemnitor so assumes the defense of any claim, the indemnitee may participate in such defense with legal counsel of the indemnitee's selection and at the expense of the indemnitee. If the indemnitor, prior to the expiration of fifteen days after receipt of notice

of a claim by the indemnitee under this Article, has not assumed the defense thereof, the indemnitee may thereupon undertake the defense at the risk and expense of the indemnitor, with all reasonable costs and expenses of such defense to be paid by the indemnitor. No compromise or settlement of any claim shall be made by the indemnitor without the prior consent in writing of the indemnitee.

8. FRANCHISOR SERVICES.

8.1. Initial Training.

8.1.1. Curriculum. Following the execution of this Agreement, and before the opening of the Franchise Business, an individual Franchisee, or the Owner Representative of a Franchisee which is a corporation, partnership or other legal entity, shall attend initial training provided by Franchisor. The initial training program shall consist of 100 hours to 400 hours of training at a BRAKE MASTERS store operated by an Affiliate in either Tucson, Arizona, Albuquerque, New Mexico, or Los Angeles County, California. Initial training will cover in-store operations and management, and franchise development.

8.1.2. Expenses. No tuition is charged by Franchisor for Franchisee or an Owner Representative to attend the initial training program. Franchisee is responsible for all travel, lodging, food and other personal expenses incurred for himself and any of his employees in attending initial training. Franchisor shall not pay salary or any other compensation to anyone for services performed during training.

8.1.3. Completion. If Franchisor determines, in its sole subjective judgment exercised in good faith, during or at the conclusion of initial training, that Franchisee, or the Owner Representative, is not qualified to operate the Franchise Business, Franchisor may unilaterally terminate this Agreement as provided in Section 11.1.

8.1.4. Managers. Every store Manager must complete the initial training program as described in Subsection 8.1.1 to Franchisor's reasonable satisfaction prior to assuming any responsibilities for the operation of the Franchise Business. Franchisor will train Franchisee's first store Manager together with Franchisee at no charge. Thereafter, tuition will be charged for providing training to any other Manager for a per person fee of $1,000. Franchisee will be responsible for the expenses described in Subsection 8.1.2. If a prospective Manager fails to complete initial training to Franchisor's reasonable satisfaction, this Agreement shall not be terminated, but Franchisee or the Owner Representative shall be required to manage and operate the Franchise Business until a substitute Manager successfully completes initial training.

8.1.5. Confidentiality and Noncompetition Agreement. Each person who attends training must first execute Franchisor's Confidentiality and Noncompetition Agreement substantially in the form attached hereto as Exhibit "3."

8.2. Continuing Training. Franchisor may, at its sole option, hold refresher and/or additional training programs for Franchisee and/or his Manager(s) at location(s) selected by Franchisor. Such programs may be mandatory or optional. There may be tuition for such programs, and Franchisee shall be responsible for the travel, lodging, food and other personal expenses of those who attend.

8.3. Assistance. Franchisor shall provide Franchisee with on-site opening assistance for one week during the two months following the opening of the Franchise Business. Thereafter Franchisor shall provide Franchisee with on-site assistance when deemed necessary in Franchisor's discretion, and Franchisor shall maintain a staff reasonably available to give Franchisee advice and assistance by telephone when requested by Franchisee or deemed appropriate by Franchisor.

8.4. Purchasing. Franchisor or an Affiliate may, at its option, elect to purchase equipment, inventory and/or supplies in quantities for resale to franchisees of the BRAKE MASTERS System at a profit to Franchisor. Franchisee may, at his option, elect to make purchases of such items from Franchisor or its Affiliates, or from other approved vendors. Franchisor may also collect rebates based on purchases and sales by Franchisee. Franchisee will pay Franchisor's costs and expenses in connection with

evaluating a vendor at the request of Franchisee. Franchisor may withdraw approval of any authorized vendor and require Franchisee to purchase equipment, inventory and/or supplies only from Franchisor or an Affiliate. Franchisor may also require rebate payments from a vendor as a condition of approval.

8.5. Computer Software. Prior to the opening of the Franchise Business, Franchisee will enter into such third party software license agreements as are necessary for Franchisee to operate the software that Franchisor requires for use in the Franchise Business (the "**BMSI Software**"). Franchisor shall perform the initial set up and installation of the BMSI Software on Franchisee's computer system, and provide Franchisee with initial training in its use, at no additional charge. Franchisee agrees that it acquires no title or ownership in the BMSI Software, and that all right, title and interest in the BMSI Software is owned by the software licensor. If in the future, Franchisor develops proprietary software or a proprietary database, then the terms of this section will also apply to that software or database. Franchisee must use the BMSI Software in the operation of the Franchise Business, subject to the terms and conditions of this Agreement, including:

8.5.1. Use. Franchisee will use the BMSI Software solely with and on the computer hardware systems, including without limitation telephone and digital subscriber lines, as specified from time to time in the Operations Manual, and solely at locations approved by Franchisor under the terms of this Agreement. Franchisor has the right to close Franchisee's access to the BMSI Software in the event that Franchisee is in violation of any provisions of the terms this Agreement, including violating provisions in the Operations Manual on processing requirements.

8.5.2. Confidentiality. One copy of the BSMI Software will be provided to Franchisee under the terms of the software license agreement. Franchisee will make no copies of the BMSI Software in any format except for backup copies as permitted in accordance with the software license agreement and the Operations Manual. Franchisee will not create by decompilation or otherwise, the source code programs or any parts thereof from the object code program of the BMSI Software, or from other information made available under this Agreement. Franchisee will only make the BMSI Software available to its employees who require access to the BMSI Software in order to perform their normal employment duties for Franchisee.

8.5.3. Modification. Franchisee will make no changes or modifications to the BMSI Software, except with the prior written consent of Franchisor, which consent may be withheld at the sole and exclusive discretion of Franchisor.

8.5.4. Limitation of Warranty. Franchisor will pass through to Franchisee any warranties provided by manufacturer of the BSMI Software or the software licensor. Franchisor does not warrant that the functions contained in the BMSI Software will meet Franchisee's requirements or that the operation of the BMSI Software will be uninterrupted or error free.

8.5.5. Enhancements. The software licensor may periodically provide to Franchisee revised, updated, enhanced or substitute computer software and/or user's manuals, in which case such new software and/or user's manuals will be deemed to be BMSI Software. Updates to the BMSI Software from the software licensor will be provided without any additional charges. Enhanced, upgraded or substitute BMSI Software will be provided at a reasonable cost. Unless revised, updated, enhanced, upgraded or substitute BMSI Software requires Franchisee to obtain new or upgraded computer hardware, Franchisee must install the new BMSI Software in its computer system within 5 business days after receiving it. If new or upgraded computer hardware is required, Franchisee must obtain it and install the new BMSI Software within 30 days. Immediately after completing such installation, Franchisee must return to Franchisor all copies of all prior editions of the BMSI Software.

8.5.6. Support. Franchisor will make on-going support for the BMSI Software available to Franchisee by telephone at reasonable times at its then current hourly or fixed charges, depending on the nature of the service requested.

9. PROTECTION OF THE SYSTEM.

9.1. System.

9.1.1. Definitions. Franchisor has designed, developed and adopted characteristics and methods relating to the operation of BRAKE MASTERS stores, including without limitation:

A. Trade Secrets. Trade secrets consisting of record-keeping systems, computerized operating systems (including without limitation the BMSI Software), and the Manuals, all of which may be further developed or modified in the future (collectively the "**Trade Secrets**").

B. Information. Interior construction design and equipment layout, operating methods, services, business plans, advertising and promotional programs, sales techniques, customer lists, personnel management and control systems, vendor lists, and computer, accounting and inventory systems, together with certain other proprietary information, know-how, techniques, standards, specifications, procedures, processes, plans and methods of operation (collectively the "**Information**").

C. Marks. The trade name and trademark "BRAKE MASTERS," and such other proprietary trade names, service marks, logo types, trade symbols, trade dress, emblems, signs, slogans, insignias, trademarks, designs and copyrights as Franchisor may hereafter designate for use in connection with the BRAKE MASTERS System, together with all goodwill associated therewith (collectively the "**Marks**").

D. System. The Trade Secrets, the Information and the Marks (collectively the "**System**") are valuable property rights of and owned by Franchisor.

9.1.2. Modifications. The System may be changed from time to time in whole or in part for the intended purpose of making it more effective, efficient, economical and/or competitive, adapting to new conditions, products, market preferences and/or technology, enhancing the reputation and public appearance of the System, and/or better servicing the general public. Franchisor may from time to time develop or acquire additional products or services which Franchisor, in its sole and absolute discretion, may elect to market separately or through the System on either an optional or mandatory basis. Franchisor retains the right to make such changes to the System as Franchisor deems appropriate, including without limitation changes to the Marks, the Trade Secrets, the Information and the following:

A. Additional Products/Services. Franchisor shall have the right from time to time to designate additional mandatory services or products then customarily incidental to automobile brake service businesses. Franchisee shall have a reasonable period of time, not to exceed two months following notice from Franchisor, to begin offering any such additional designated mandatory services or products.

B. Other Marks. Franchisor reserves the right to adopt new, additional or modified Marks, in which event, at Franchisor's directive, Franchisee shall adopt, use and display only those Marks specified by Franchisor and shall promptly discontinue the use and display of outmoded or superseded Marks.

C. Implementation. All such changes, additions or revisions as provided for in this Subsection 9.1.2 shall be binding on Franchisee. These changes may affect your rights and financial obligations. Any change, addition or revision to the System may include additional costs or additional fees to be paid to a third party or directly to Franchisor. Franchisee agrees to adopt and implement all such changes at his own expense, as though they were part of the System at the time of the execution of this Agreement.

9.1.3. Variances. Franchisor may from time to time approve exceptions or changes from the uniform standards of the System which Franchisor, in its sole absolute discretion, believes necessary or desirable under particular circumstances. Franchisee understands that he has no right to

object to or automatically obtain such variances, and that any exception or change must be approved in advance by Franchisor in writing. Any new methods of operation, or other ideas or enhancements relating to the Franchise Business developed by Franchisee shall automatically be assigned to and fully owned by Franchisor and may be used by Franchisor, its Affiliates and/or other franchisees, all without compensation to Franchisee. Franchisee also understands that some franchisees may operate under different forms of agreements, and consequently the rights and obligations of such franchisees may differ materially from Franchisee's.

9.2. Manuals. To establish and maintain uniform standards of operation, Franchisor has developed various manuals (the "**Manuals**"). Franchisee agrees to operate the Franchise Business in strict accordance with the Manuals, as adopted, amended and supplemented from time to time. Franchisor shall loan Franchisee one copy of each Manual at the beginning of initial training. In the event of any dispute regarding a Manual, the terms of the master copy maintained by Franchisor shall be controlling.

9.3. Standards.

9.3.1. Management. At no time shall the Franchise Business be managed by someone who has not successfully completed training as provided in Section 8.1.

9.3.2. Specifications. Franchisee expressly understands that to insure that the quality of the services and products provided to the public under the BRAKE MASTERS name and Marks and that the System standards are uniformly maintained, Franchisee must comply with the uniform standards and specifications for products and procedures, and for the construction, maintenance and repair of leasehold improvements, fixtures, furnishings, equipment, signs and supplies, for the use of the Marks, for maintenance, updates and upgrades of computer hardware and software, and for the performance of services, all of which may be modified and further developed by Franchisor from time to time. Franchisee's failure to correct any unauthorized variance from such standards within a reasonable time after notice from Franchisor shall be grounds for termination of this Agreement.

9.3.3. Inspections. Franchisee expressly authorizes Franchisor to enter the Franchise Business at any time during normal business hours to inspect the premises, operations, books and records and other operating reports, and to verify compliance with this Agreement.

9.3.4. Remodeling. In addition to Franchisee's obligations to perform routine maintenance and repairs as provided in Subsection 3.3.1, Franchisor may require Franchisee to remodel the Franchise Business to the then current standards and image for BRAKE MASTERS stores one time during the one year period following the tenth anniversary of the date specified in Paragraph 5.1 of Exhibit "1" to this Agreement; and at any other time provided that Franchisee shall not be required to do any such remodeling (at a time other than during the eleventh year of this Agreement) unless substantially the same remodeling or feature is in all stores owned and operated by Franchisor and its Affiliates.

9.4. Marks, Trade Secrets and Information.

9.4.1. Ownership. Franchisor shall disclose the Trade Secrets and Information to Franchisee by loaning to Franchisee, while this Agreement is in effect, the Manuals and other written materials containing the Trade Secrets and Information, and through training and other assistance provided to Franchisee. Franchisee acknowledges that Franchisor is the sole owner of the Trade Secrets; that the Trade Secrets and Information are being imparted to Franchisee in trust and confidence and only because of his special status as a Franchisee of the System; and that the Trade Secrets and the Information in its entirety as applied to the System are not generally known to the trade or public and are not known to Franchisee except by reason of such disclosure. Franchisee further acknowledges that he shall acquire no interest in the Trade Secrets or Information, other than the right to utilize them in the development and operation of the Franchise Business while this Agreement is in effect. In addition, Franchisee acknowledges that the use, duplication or disclosure of the Trade Secrets or Information, except as expressly permitted by this Agreement, shall constitute an unfair method of competition, and that Franchisor shall suffer irreparable injury thereby.

9.4.2. Usage. Only signs, advertising, labels, trade dress and other designations meeting Franchisor's specifications as set forth in the Manuals, with all appropriate trademark notices, shall be used at and in connection with the Franchise Business. Franchisee shall not use any names, trademarks, trade names, service marks, logo types, trade dress, trade styles, designs, signs, symbols or slogans other than the Marks in connection with the Franchise Business except as expressly permitted or required in this Article 9. Franchisee shall not use the Marks in connection with any other activities nor at any location other than the Franchise Business. Franchisee agrees that his use of the Marks shall at all times comply with the specifications established from time to time by Franchisor and shall inure to the benefit of Franchisor. Franchisee agrees, upon request, to provide Franchisor with samples of Franchisee's use of any Marks and to comply promptly with all requests to conform such use to Franchisor's specifications. Franchisee expressly acknowledges that any unauthorized use of the Marks, Trade Secrets or Information shall constitute an infringement of Franchisor's rights and an event of default under Section 11.2. Franchisee agrees not to use or display any names, marks, color combinations, designs, signs, symbols, trade dress or other designations which are confusingly similar to the Marks in connection with any other business or activity in which Franchisee has an interest. Franchisee shall not engage in any trade practice or other activity which is harmful to the goodwill of, or reflects unfavorably upon, the reputation of Franchisor or the System, or which constitutes a deceptive or unfair trade practice. Franchisee shall not directly or indirectly contest the validity of the Marks, the Trade Secrets or the Information or the rights of Franchisor thereto.

9.4.3. Notice. Franchisee shall conspicuously post at the Franchise Business a notice in such form and content as Franchisor may reasonably designate to the effect that Franchisee's business is licensed by Franchisor and independently owned and operated by Franchisee.

9.4.4. Franchisee's Names. If Franchisee operates the Franchise Business through a corporation, partnership or other legal entity, Franchisee shall not use the name "BRAKE MASTERS" or any word therein or derivative thereof, or any Marks, or anything similar thereto, as part of the entity's name. Franchisee shall comply with Franchisor's instructions for filing and maintaining the requisite local trade name or fictitious business name registrations, and shall execute any documents deemed necessary by Franchisor to obtain protection for the Marks or to maintain their continued validity. Prior to making any such filings, Franchisee shall deliver to Franchisor fully executed assignments to Franchisor of all Franchisee's rights thereunder, which Franchisor is hereby irrevocably authorized to use and file upon the expiration or termination of this Agreement. Franchisee shall identify himself as a licensee in conjunction with any use of the Marks, including without limitation use on invoices, order forms, receipts, stationery, business cards and contracts. Franchisee shall not sign Franchisor's name to any contracts, obligations or other instruments or hold himself out as a partner, agent or employee of Franchisor, and Franchisee agrees that all contracts and obligations entered into in establishing and maintaining the Franchise Business shall be in his own name.

9.4.5. Defense of Marks. In the event Franchisee becomes aware of any infringing use of any Mark, or if any third party makes any claim, by suit or otherwise, against Franchisee arising out of Franchisee's use of any Mark, Franchisee shall promptly notify Franchisor in writing. Thereupon, Franchisor may take whatever action it deems appropriate, and if applicable, shall indemnify Franchisee as provided in Section 7.2. Franchisee may not initiate any communication or respond with any information on any infringement or challenge with any person other than its legal counsel, Franchisor, Franchisor's affiliates, or Franchisor's counsel.

9.5. Confidentiality. The Trade Secrets, the Information, and all information and knowledge about the System which is not in the public domain and such other information and material as Franchisor may designate as confidential shall be deemed confidential for purposes of this Agreement. Franchisee acknowledges that the Trade Secrets and all such confidential Information are disclosed to Franchisee solely on the condition that Franchisee agree, and Franchisee hereby does agree, that Franchisee: (a) Will use the Trade Secrets and Information in strict accordance with the instructions and directions given by Franchisor from time to time; (b) will not use the Trade Secrets or Information in any other business or capacity; (c) will maintain the absolute confidentiality of the Trade Secrets and Information while this Agreement is in effect, and will disclose the Trade Secrets and Information, and permit access

to any written materials containing the Trade Secrets and Information, only to those employees who need to know them in order to perform their duties; (d) will maintain the absolute confidentiality of the Trade Secrets after the expiration, transfer or termination of this Agreement for any reason; (e) will not copy any written materials containing the Trade Secrets or the Information, including without limitation the Manuals, without Franchisor's prior written consent; (f) will observe and implement all reasonable procedures imposed from time to time by Franchisor to prevent the unauthorized use and disclosure of the Trade Secrets or the Information; (g) will keep all Manuals and other written materials containing any portion of the Trade Secrets and the Information in a secure place; and (h) if Franchisee is legally compelled to disclose any Trade Secret or Information will do so only if Franchisee has used his best efforts to afford Franchisor the opportunity of obtaining appropriate protective orders or other assurances of confidentiality satisfactory to Franchisor.

9.6. Noncompetition.

9.6.1. Covenant. Franchisee acknowledges that by virtue of his performance of this Agreement, he will learn details about the System and Franchisor's business operations and will have access to the Trade Secrets and Information, and that he will have close contacts with BRAKE MASTERS customers and suppliers for the purpose of maintaining and further developing the System and the goodwill of the System, and that for these very reasons, he will have the attendant ability to divert trade, and that consequently Franchisor has a strong legitimate interest in obtaining the covenants in this Section 9.6 for the protection of the goodwill of the System. Franchisee therefore agrees that, without the express prior written consent of Franchisor, which Franchisor may withhold in its sole absolute discretion, neither Franchisee nor any Owner Representative, nor any of Franchisee's officers, directors, Managers or partners, nor anyone having a 20% or greater interest in Franchisee, nor any spouses or immediate family members of any such individuals, shall, directly or indirectly, engage in, render services or provide financing to, or have any interest in, any Competitive Business (as defined below) located or conducting business within the Region (as defined below) during the Time Period (as defined below). Such prohibited interest would also include a prohibition of any ownership, financing or revenue interest in any land or building used by, leased to or sold to a Competing Business in the Region during the Time Period.

A. Competitive Business. For the purposes of Subsection 9.6.1 of this Agreement, the term "**Competitive Business**" shall mean any business which repairs or services automobile brakes, or provides automobile lube, oil and filter services, other than an authorized BRAKE MASTERS retail business.

B. Region. For the purposes of Subsection 9.6.1 of this Agreement, the term "**Region**" shall mean (a) a radius of 5 miles from the site where Franchisee's Franchise Business is or was located; and (b) the county in which Franchisee's Franchise Business is or was located; and (c) a radius of 5 miles from the site where any other BRAKE MASTERS retail business is located; and (d) each county in which another BRAKE MASTERS retail business is located. In addition, while this Agreement is in effect (and not after its expiration and non-renewal or its early termination for any reason), the term Region shall also mean (i) the county in which Franchisee's Franchise Business is or was located; and (ii) each entire state where any BRAKE MASTERS retail business is located; and (iii) a radius of 100 miles from the site where Franchisee's Franchise Business is or was located; and (iv) the entire United States of America.

C. Time Period. For the purposes of Subsection 9.6.1 of this Agreement, the term "**Time Period**" shall mean (a) the period of time that this Agreement is in effect; and (b) beginning when this Agreement is no longer in effect, (1) for a period of one year after an Assignment in accordance with Article 10 of this Agreement (so that there will be reasonable time to make the transition and establish a market presence and good relations between customers, suppliers and the new franchisee); or (2) if this Agreement is no longer in effect for any reason other than an Assignment, then beginning when this Agreement is no longer in effect and continuing for whichever of the following periods is shorter: (i) two years, or (ii) one year after the opening of a new BRAKE MASTERS retail business in Franchisee's Area (so that there will be reasonable time to find, contract with and train a new franchisee, open a BRAKE MASTERS retail business, and establish a market presence and good relations between the

customers, suppliers and the new franchisee); *provided, however,* that the Time Period shall be tolled and suspended and not run for any person or entity while that person or entity is engaged in any Competitive Business within the Region.

9.6.2. Modification. The covenant set forth in Subsection 9.6.1 shall be construed as independent of any other covenant or provision of this Agreement. Franchisor reserves the right to reduce the scope of the obligations under the covenant unilaterally and without the consent of any other person or entity, effective upon giving notice thereof. In the event that any restriction contained in Subsection 9.6.1 is found by a court of competent jurisdiction to be unlawful as to scope or duration or otherwise invalid, it is the parties' intention that Subsection 9.6.1 not be declared ineffective in its totality, but that the provision be declared invalid only to the extent of the illegality, and that the court define acceptable limits to such provision, which shall continue, as so revised, in full force and effect. Following the court's ruling, this Agreement shall automatically be deemed amended to restate the limits of the restriction accordingly.

9.7. No Solicitation. While this Agreement is in effect, Franchisee shall not employ or solicit for employment any person who is at the time employed by Franchisor, an Affiliate or any other franchisee in the System, and Franchisee shall not directly or indirectly induce such person to leave such employment.

9.8. Confidentiality and Noncompetition Agreements. Franchisee agrees, at the request of Franchisor, to execute itself and to have any Owner Representative and each of its Managers, officers, directors, partners and person having a 20% or greater interest in Franchisee, execute a Confidentiality and Noncompetition Agreement in form and substance substantially in the form of Exhibit "3" attached hereto, containing substantially the same provisions as are set forth in this Article 9, which may be separately and independently enforced by Franchisor. Franchisee further agrees, at the request of Franchisor, to have each person having less than a 20% interest in Franchisee execute a Confidentiality Agreement in form and substance substantially in the form of Exhibit "4" attached hereto, which may be separately and independently enforced by Franchisor.

10. ASSIGNMENT.

10.1. Assignment by Franchisee. This Agreement is entered into by Franchisor in reliance upon and in consideration of the singular personal skills and qualifications, financial capacity, personal character and representations of, and the trust and confidence reposed in, Franchisee, and where applicable, any Owner Representative and Franchisee's officers, directors and principal owners and partners. Accordingly, except as otherwise provided in this Article 10, Franchisee may not assign, transfer, sell, convey, share, pledge, mortgage, encumber or hypothecate, directly or indirectly, by operation of law or otherwise, in any manner, his rights or privileges under this Agreement in whole or in part, or all or a material part of the assets of the Franchise Business (an "**Assignment**"), without the prior written consent of Franchisor. Under no condition may Franchisee sublicense his rights hereunder. Consent to an Assignment upon specified terms and conditions shall not be deemed consent to an Assignment upon any other terms or conditions, nor to any other subsequent Assignment. Such consent shall not be unreasonably withheld; provided, however, that Franchisee must be in Good Standing, and it shall not be unreasonable for Franchisor to impose the following conditions precedent to its consent to any such Assignment, even if such Assignment is part of a bankruptcy proceeding:

10.1.1. Compliance with Law. The Assignment shall have been conducted in compliance with all applicable laws, and the proposed assignee shall have secured all governmental permits and licenses required to operate the Franchise Business.

10.1.2. Qualified Assignee. Franchisee shall have demonstrated to Franchisor's reasonable satisfaction that the proposed assignee, and if applicable, its Owner Representative, directors, officers, and principal owners and partners, satisfy all the then current qualifications for new franchisees, and possess good moral character and reputation, requisite general business experience, including without limitation management and operational skills, the aptitude and ability to conduct the

Franchise Business, an excellent credit history and rating, and adequate financial resources to fulfill all obligations with respect to the Franchise Business and to the selling Franchisee and Franchisor.

10.1.3. Franchise Agreement. The proposed assignee shall have executed Franchisor's then current form of Franchise Agreement and any standard ancillary agreements (which may contain materially different terms than this Agreement) except that the initial franchise fee shall be waived, and the proposed assignee shall receive only the remaining term and any renewal rights from the Franchise Agreement then in effect.

10.1.4. Other Obligations. The proposed assignee shall have expressly assumed in writing all of the obligations of Franchisee, appointed an Owner Representative if applicable, assumed all other agreements pertaining to the Franchise Business (and all third parties to such agreements shall have consented in writing to such assumptions), and shall have complied with Subsection 10.3.1 if applicable, and delivered the Guaranty as provided for in Section 4.8.

10.1.5. Training. The proposed assignee shall have successfully completed initial training as provided in Section 8.1.

10.1.6. Transfer Fee. Franchisee shall have paid Franchisor a nonrefundable transfer fee equal to 15% of Franchisor's then current initial Franchise Fee, but not less than $3,500, to cover Franchisor's costs of training the assignee, as well as Franchisor's legal and other expenses in connection with the Assignment, including without limitation credit investigation and administrative overhead costs.

10.1.7. Right of First Refusal. Franchisee shall have first offered to sell the Franchise Business to Franchisor in accordance with Section 10.5.

10.1.8. Remodeling. Franchisor may, at its option, require as a condition to approving the Assignment that the proposed assignee agree to perform specified remodeling of the Franchise Business to conform to the current standards and image then required for new BRAKE MASTERS stores.

10.1.9. Releases and Subordination. Franchisee and Franchisor shall have executed a mutual general release of all claims related to the grant and performance of this Agreement and the operation of the Franchise Business, subject to Franchisee's continuing obligations as described in Section 11.5, and Franchisee shall have subordinated his rights to all payments from the assignee to all obligations of the assignee to Franchisor.

10.1.10. Price and Terms. The purchase prices and terms of the Assignment must not be so burdensome to the prospective transferee as to impair or materially threaten the future operation of the business or the performance of the obligations and requirements in the assumed or new franchise agreement.

10.1.11. Franchise Disclosure. Franchisee must request that that Franchisor provide the prospective franchisee with the current form of franchise disclosure document at least fourteen calendar days before the closing.

10.1.12. Indemnification. Franchisee hereby indemnifies Franchisor for any representations made to any assignee.

10.2. Franchisee's Incorporation. Franchisor expressly consents to an Assignment of this Agreement by an individual Franchisee to a corporation or other legal entity, provided that Franchisee is in Good Standing and becomes the Owner Representative of the Franchisee, and that the conditions of Subsections 10.1.1 and 10.3.1 and the following additional conditions have been satisfied:

10.2.1. Corporate Liability. The corporation or other legal entity shall have executed a document satisfactory to Franchisor agreeing to assume and be bound by all of the provisions of this Agreement; the corporation or other legal entity shall have assumed all other agreements pertaining to

the Franchise Business, and all third parties to such agreements shall have consented in writing to such assumptions; and the corporation or other legal entity shall have submitted to Franchisor a certified copy of the resolution of its board of directors or other governing authority approving execution of this Agreement and the assumption of all obligations relating to the Franchise Business.

10.2.2. Guaranty. The original Franchisee (and his spouse, if applicable) shall remain personally liable in all respects under this Agreement and, if requested by Franchisor, shall execute both a Guaranty and a subordination of their rights to all payments from the corporation to all obligations of the corporation to Franchisor.

10.3. Franchise Owned by a Corporation, Partnership or Other Legal Entity.

10.3.1. Owners. A Franchisee which is a legal entity with shareholders or other owners shall provide Franchisor with a list of all owners (showing the number and percentage of ownership interests held by each owner), and its officers, directors, general partners and/or managers, and shall keep such information current at all times. All ownership certificates of such a Franchisee shall bear a legend stating that transfer is restricted and subject to the terms of this Agreement. Upon Franchisor's request, each owner and the owner's spouse shall execute an acknowledgment of the restriction on the right to transfer their ownership interest in Franchisee, and the limitations imposed by the covenants of confidentiality and noncompetition as provided in Section 9.8.

10.3.2. Change of Ownership. If Franchisee is a corporation, partnership or other legal entity, then while this Agreement is in effect Franchisee shall notify Franchisor of any Assignment of an ownership interest in Franchisee, including without limitation any Assignment of the legal, beneficial or voting rights therein. One or more changes in ownership which in the aggregate constitute at least a 20% total change in ownership shall constitute an Assignment subject to the conditions of Section 10.1.

10.4. Rights of Heirs or Personal Representatives.

10.4.1. Option. In the event of the death or permanent incapacity of an individual Franchisee, or any Owner Representative, or any partner in a partnership Franchisee, or any owner having a 20% or greater interest in a Franchisee, such person's executor, administrator, personal representative, successor, trustee or heir shall have the option as provided in Subsection 10.4.2 to succeed to the interest owned by such individual in accordance with the provisions of the person's last will or any buy-sell agreement controlling the issue of succession on death.

10.4.2. Conditions. The option shall be exercised by the successor by written notice to Franchisor within six months from the date of death or incapacity and, unless excused by Franchisor in writing, is further subject to Franchisee being in Good Standing and the satisfaction of the conditions of Subsections 10.1.1, 10.1.2, 10.1.4, 10.1.5 and 10.1.6. If the proposed successor has not previously completed training, he must begin training within one month of the date Franchisor is notified of the proposed Assignment. An Assignment made pursuant to this Section 10.4 shall not otherwise be subject to the conditions of Section 10.1.

10.4.3. Failure to Exercise Option or Satisfy Conditions. In the event such successor fails to exercise the option within the time specified, or fails to meet the conditions, then if temporary arrangements for the operation of the Franchise Business are made to the satisfaction of Franchisor in its sole absolute discretion, the successor shall have a reasonable period of time, not to exceed three months, in which to sell the Franchise Business, subject to all of the conditions set forth in Section 10.1, and thereafter if no approved Assignment has occurred, Franchisor may, in its discretion, terminate this Agreement.

10.4.4. Interim Operation. At no time shall the Franchise Business be managed by someone who has not successfully completed training as provided in Section 8.1.

10.5. Right of First Refusal. Except as otherwise provided in Sections 10.2 and 10.4, if Franchisee desires to sell or transfer the Franchise Business, he shall first give Franchisor written notice

setting forth all of the terms and conditions of the proposed Assignment and all available information concerning the proposed buyer, together with copies of the written offer signed by the third party and all related documentation. Within ten business days after receipt of such notice and documentation, Franchisor may, at its option, elect to purchase the Franchise Business for itself or its nominee (which must be no less financially qualified than Franchisor or the proposed buyer) upon the terms and conditions specified in the offer, subject to a set off of all amounts owed by Franchisee to Franchisor. If Franchisor declines to exercise its right within the time specified, Franchisee may thereafter sell or dispose of the Franchise Business to an approved assignee (but not at more favorable terms than those offered to Franchisor) provided that all of the conditions of Section 10.1 are satisfied. If the Franchise Business is not sold by Franchisee within three months from the date it is offered to Franchisor, then Franchisee must re-offer to Franchisor prior to any Assignment. Franchisor shall have no option or right of first refusal for any Assignment of the Franchise Business, or stock in a corporate Franchisee, by individual Franchisees or shareholders in a corporate Franchisee to their spouses and/or children, provided that all of the other conditions of Section 10.1 are satisfied.

10.6. Transfer by Franchisor. Franchisor may transfer and/or delegate any or all of its interests, rights and/or obligations under this Agreement, in whole or in part, directly or indirectly by the transfer of assets, stock, merger, acquisition, pledge or otherwise, without notice to or the consent of Franchisee. Upon the termination of the license agreement between Franchisor and Auto Brakes, Inc., this Agreement will automatically be transferred to Auto Brakes, Inc., which will assume all of the rights and obligations of Franchisor hereunder. Prior to any such transfer, however, neither Auto Brakes, Inc. nor any other Affiliate shall have any obligation to Franchisee under this Agreement.

11. DEFAULT, TERMINATION AND EXPIRATION.

11.1. Early Termination.

11.1.1. Termination by Franchisee Before Opening. Franchisee may terminate this Agreement, at his option and without cause, at any time during the eight months after the effective date of this Agreement (as specified in Paragraph 5.1 of Exhibit "1") before the Franchise Business opens by giving written notice to Franchisor.

11.1.2. Franchisee's Pre-Opening Default. If Franchisee (a) fails to enter into a lease or purchase contract for a site for the Franchise Business by the date specified in Section 3.2; or (b) fails to complete training to Franchisor's satisfaction as provided in Subsection 8.1.3; or (c) fails to open the Franchise Business by the date specified in Section 2.3; then Franchisor may, at its option, terminate this Agreement, without advance notice or any opportunity to cure.

11.1.3. Refund. Upon a termination pursuant to this Section 11.1, Franchisor shall refund the applicable portion of Franchisee's initial Franchise Fee set forth in the chart below, if any, and retain the balance of the Franchise Fee paid by Franchisee, and Franchisee shall remain obligated not to disclose the Trade Secrets and confidential Information, but the parties will have no other rights or obligations hereunder.

Time Between Date of Agreement and Termination	Percent of Initial Franchise Fee to be Refunded
Up to 4 months	75%
Over 4 months and up to 8 months	50%
Over 8 months	0%

11.2. Termination for Default.

11.2.1. Without Right to Cure. Franchisor may terminate this Agreement without prejudice to its enforcement of any other legal right or remedy, as provided in Subsection 11.1.2, or

immediately upon giving written notice of such termination and the reason(s) therefor, and without providing Franchisee an opportunity to cure, upon the occurrence of any of the following events:

A. Bankruptcy. If Franchisee, or any Guarantor, or any person or entity control-ling, controlled by or under common control with Franchisee or a Guarantor, makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated a bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents or acquiesces in the appointment of a trustee or receiver for Franchisee, such Guarantor or the operation of the Franchise Business; or if proceedings are commenced to have Franchisee, or any such person or entity, adjudicated a bankrupt or to seek a reorganization of any such person or entity under any state or federal bankruptcy or insolvency law and such proceedings are not dismissed within one month; or if a trustee or receiver is appointed for Franchisee, or any such person or entity, or the Franchise Business, without such person or entity's consent and the appointment is not vacated within one month.

B. Abandonment. If Franchisee fails to keep the Franchise Business open for business during ordinary business hours for a continuous period of three or more days (or for any shorter period after which it is not unreasonable for Franchisor to conclude that Franchisee does not intend to continue the operation of the Franchise Business), unless the Franchise Business is closed by reason of an event beyond the control of Franchisee and not caused, directly or indirectly, by Franchisee's negligence, willful misconduct or financial inability, or unless Franchisor shall consent in writing to said closing.

C. Misconduct. If Franchisee makes any material misrepresentation relating to the acquisition of this Agreement, or Franchisee engages in conduct which reflects materially and unfavorably upon the operation and reputation of the System.

D. Repeated Breaches. If Franchisee materially defaults under this Agreement three or more times in any rolling 12 month period, whether or not the prior defaults were cured or were of a similar nature.

E. Seizure. If the Franchise Business, this Agreement or any assets related to the Franchise Business are seized, taken over or foreclosed by a government official in the exercise of his duties, or by a creditor, lien holder or lessor, provided a final judgment against Franchisee remains unsatisfied for one month (unless a bond has been filed); or if a levy of execution or other judicial seizure is made on any such property and is not discharged within five days.

F. Criminal Acts. If Franchisee, or any person or entity controlling, controlled by or under common control with Franchisee, is convicted of or pleads nolo contendere to a felony or other criminal misconduct relevant to the operation of the Franchise Business or injurious to the reputation of the System.

G. Default Under Other Agreements. If Franchisee, or any Guarantor, or any person or entity controlling, controlled by or under common control with Franchisee or any Guarantor, materially breaches any other agreement with Franchisor or any Affiliate or any owner of Franchisor or an Affiliate or pertaining to the operation of the Franchise Business, which breach is not cured within any permitted cure period.

H. Public Danger. If Franchisor makes a reasonable determination that continued operation of the Franchise Business by Franchisee will result in imminent danger to public health or safety which cannot be eliminated by temporarily closing all or part of the Franchise Business.

I. Unilateral Repudiation. If Franchisee notifies Franchisor in writing that Franchisee will cease operating the Franchised Business at a future date or takes such action that Franchisor reasonably concludes that Franchisee will cease operating the Franchised Business at a future date.

11.2.2. Franchisee's Right to Cure. In addition to the foregoing, and Franchisor's rights to terminate as expressly provided for elsewhere in this Agreement, and without prejudice to Franchisor's enforcement of any other legal right or remedy:

A. Failure to Make Payments. Franchisor may terminate this Agreement for any failure of Franchisee to make payments when due under this Agreement (including without limitation Advertising Fees and Advertising Cooperative assessments), effective 10 days after written notice to Franchisee specifying the amounts due, if such amounts are not paid within the 10 day period.

B. Other Defaults. Franchisor may terminate this Agreement (a) if any Guarantor dies and a new Guarantor and Guaranty approved in writing by Franchisor are not substituted, or (b) if any of the owners of the Franchised Business are at an impasse which materially affects the operations of the business and such impasse continues for more than a two month period after written notice to Franchisee demanding that the matter be resolved to Franchisor's reasonable satisfaction, if the default is not cured within the two- month period, or (c) for any other material default by Franchisee under this Agreement, in any case effective one month after written notice to Franchisee specifying the reason(s) for termination, if the default is not cured within the one month period.

C. Franchisor's Obligations. If Franchisor has given Franchisee formal notice of a default or termination, then Franchisor has the right to suspend Franchisor's performance of any of Franchisor's obligations under this Agreement, in addition to Franchisor's other remedies, during the time in which Franchisee is curing the default or in the event that the default is not cured. Franchisor's right to suspend Franchisor's obligations to Franchisee includes but is not limited to, the right to suspend sales of any products, to stop providing any services to Franchisee and to not provide access to Franchisor's confidential materials or software.

11.2.3. Franchisor's Right to Cure. Franchisee terminate this Agreement for any material default by Franchisor under this Agreement effective two months after written notice to Franchisor specifying the reason(s) for termination, if the default is not cured within the two month period.

11.2.4. Extended Cure Period. In the event of a default under a provision of this Agreement which permits cure, if the default by its nature cannot reasonably be cured within the specified cure period, the defaulting party shall be entitled to such additional time to cure (not to exceed three months) as the other party in its sole subjective judgment exercised in good faith deems reasonable. Such an extension shall not be applicable if the default or the delay is the failure to pay money due and owing, or if the default or delay is caused, directly or indirectly, by the defaulting party's financial inability, negligence or willful misconduct.

11.3. Statutory Notice. If any law applicable to this Agreement requires additional notice or a longer notice period than specified herein, this Agreement shall be deemed to be automatically amended to conform to the requirements of such law.

11.4. Rights and Obligations Upon Expiration or Termination. Upon expiration and nonrenewal or termination of this Agreement for any reason:

11.4.1. Payment. Franchisee shall pay Franchisor immediately upon the termination or expiration of this Agreement all Royalty Fees, Advertising Fees and any other amounts owed to Franchisor, and all amounts owed to any Advertising Cooperative. Franchisor may enforce its security interest granted pursuant to Section 4.7 with respect to any unpaid amounts.

11.4.2. Franchise Revoked. Franchisee's license to use the System, and all its components, shall immediately terminate, and Franchisee shall immediately discontinue the use of the System. Franchisee shall cease displaying and using, and shall return to Franchisor, all copies of all Manuals, the Trade Secrets (including without limitation the BMSI Software), and other confidential materials and the Information, all signs, uniforms, stationery, letterheads, forms, printed matter, promotional items, advertising and other materials containing the Marks or any name, logo, slogans or symbols or other designations that might tend to mislead or confuse the public or give the impression that

Franchisee is still associated with Franchisor or the System or that he is operating a BRAKE MASTERS store. Franchisee may not use the Marks or any derivative of the Marks in any Internet web addresses or uniform resource locators. Franchisee shall not thereafter operate, advertise or do business under any name or in any manner in violation of this Subsection 11.4.2. Franchisee shall promptly make reasonable modifications to the exterior and interior of the Franchise Business to eliminate the identification and appearance of the business as a BRAKE MASTERS store. If not previously delivered to Franchisor, Franchisee shall promptly execute and file an assignment of his fictitious business name and any other similar filings and take such additional actions as may be necessary to abandon use of any fictitious business name containing any of the Marks. At Franchisor's request, Franchisee shall assign to Franchisor or its nominee all telephone numbers, listings and/or advertisements used in the Franchise Business. Franchisor may do all acts, and date, execute and file and/or record in Franchisee's name any and all documents necessary to accomplish any of the foregoing, and Franchisee hereby appoints and designates Franchisor as his attorney-in-fact to do so. Franchisee shall, immediately upon Franchisor's request in order that Franchisor may protect its Marks, the Trade Secrets and the Information, permit Franchisor or its representatives to have access to the site of the former Franchise Business to cure any default by Franchisee and secure Franchisee's compliance with his obligations under this Subsection 11.4.2.

11.4.3. Option to Purchase Assets.

A. Franchisor's Option. Upon the expiration and non-renewal of this Agreement, or the early termination of this Agreement for any reason other than an Assignment in compliance with Article 10, Franchisor shall have the right, but shall not be obligated, to assume the lease or take over the premises for the Franchise Business as provided in Subsection 3.2.1, and to purchase from Franchisee all of the assets of the Franchise Business, including without limitation Franchisee's land and improvements thereon (if owned by Franchisee), leasehold improvements, fixtures, equipment, furniture, furnishings, supplies and inventory. Franchisor shall give written notice to Franchisee of Franchisor's intention to purchase the assets within 15 business days of the effective date of termination of this Agreement. The assets shall be sold, and the purchase price paid, within 60 days after the price is established. Subject to setoffs as provided in Paragraph 11.4.3C below, the assets shall be sold to Franchisor free and clear, at their fair market value, to be determined by agreement between Franchisor and Franchisee, taking the "going concern" value of the business into consideration, but excluding the "good will" value of the BRAKE MASTERS name and Marks, and excluding the value of any assets acquired by Franchisor by the foreclosure of Franchisor's security interests.

B. Appraisal. If Franchisor and Franchisee are unable to agree upon a fair market value within seven days of Franchisor's notice, fair market value shall be determined by independent appraisal. If Franchisor and Franchisee cannot agree on an independent appraiser, each shall select one, and if the two appraisers so selected are unable to agree upon fair market value within seven days of their appointment, then the two appraisers shall appoint a third. If the third appraiser agrees with either of the two originally appointed appraisers, the value so established is binding on Franchisor and Franchisee. If there is no such agreement, the average of the values determined by the three appraisers shall be binding on Franchisor and Franchisee. The valuation date used by any such appraiser shall be the effective date of termination of this Agreement. Each party shall be responsible for the costs of the appraiser it selects. The costs of a single appraiser, or the third appraiser, and all other costs of appraisal, shall be divided equally.

C. Setoffs. The purchase price payable by Franchisor to Franchisee under this Subsection 11.4.4 shall be reduced by all amounts owed by Franchisee to Franchisor hereunder or under any other agreement, by any amounts owed by Franchisee to any Advertising Cooperative, and by the unpaid balance of the purchase price with respect to any of the assets purchased, or if any such assets are subject to a lien, by the balance due on the underlying indebtedness, together with any interest or other charges to be paid in order for Franchisor to acquire such assets free and clear. If the amount due with respect to any asset exceeds its fair market value, Franchisee shall remain solely liable for the difference.

11.5. Continuing Obligations. Franchisee shall remain fully liable for all obligations which by their terms and nature are intended to survive, and for all obligations incurred in the operation of the Franchise Business, including without limitation obligations arising under the following Articles, Sections and Subsections: 4.5.4, 4.6, 4.7, 4.8, 6.6, 7, 9.4, 9.5, 9.6.1, 11.4, 11.5, 12 and 13.2.2. Furthermore, the provisions of Sections 9.4, 9.5 and 9.6 shall be enforceable notwithstanding the existence of any claim or cause of action whatsoever of Franchisee against Franchisor.

12. ENFORCEMENT.

12.1. Choice of Law and Venue. This Agreement takes effect upon its acceptance and execution by Franchisor in Tucson, Arizona. Franchisee acknowledges the benefits and desirability of having the entire System governed by one body of law applied uniformly and therefore acknowledges that the provisions of this Section 12.1 are reasonable.

12.1.1. Applicable Law. Except to the extent governed by the U.S. Trademark Act, 15 U.S.C. §§ 1051 et seq., this Agreement shall be interpreted and construed under the laws of the State of Arizona applicable to agreements made and to be entirely performed in such State, without regard to, and without giving effect to, the application of any Arizona conflict of law rules; provided, however, that the application of Arizona law shall not abrogate or reduce any rights of Franchisee provided for under the existing laws of any other jurisdiction which by their terms apply and supersede Arizona law.

12.1.2. Venue. Any mediation or arbitration proceedings shall be held in Tucson, Arizona. Any other proceeding brought by Franchisor against Franchisee may be brought in the judicial district in which Franchisor has its principal place of business. Although this Agreement contemplates that any proceeding initiated by Franchisee shall be subject to mediation and arbitration in Tucson, Arizona, if nevertheless Franchisee initiates litigation and a court of competent jurisdiction sustains Franchisee's right to do so, then Franchisee hereby agrees that such litigation shall be brought and conducted in the judicial district in which Franchisor has its principal place of business. The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

12.2. Contractual Statute of Limitations. Any and all claims and causes of action arising out of or relating to this Agreement (including without limitation the offer and sale of this Agreement), the relationship of Franchisee and Franchisor, or Franchisee's operation of the Franchise Business, by any party hereto against the other, shall be deemed waived, released and barred unless written notice of such claim or cause of action is given or an action is commenced upon such claim or cause of action within 18 months from the occurrence of the facts giving rise to such claim or cause of action; provided, however, that although the foregoing limitation shall limit Franchisor's rights to damages, it shall not prevent Franchisor from terminating this Agreement if Franchisor otherwise has the right to do so.

12.3. Mediation. In order to make the resolution of any disputes less expensive, quicker and less subject to public notoriety, and to resolve disputes in a less formal and antagonistic manner as well as to increase the opportunities of the parties to maintain their mutually beneficial business relationship, the parties agree that in the event of any dispute arising under or related to this Agreement, they will participate in non-binding mediation prior to instituting arbitration; provided, however, that Franchisor shall not be required to mediate any issues relating to the ownership or use of the Marks, the Trade Secrets and/or the Information. Either party may initiate a mediation procedure by making a written request for mediation. Such mediation will be conducted by any mediation service mutually agreed to by the parties and according to the mediator's procedures. The mediation process shall begin promptly and shall be concluded within ten business days of the day the request for mediation is made, unless the parties mutually agree otherwise. Any and all discussions, negotiations, findings or other statements by the mediator and/or the parties made in connection with the mediation shall be privileged and confidential and shall not be admissible into evidence in any other proceeding. The expenses of the mediation service shall be borne equally by Franchisor and Franchisee, and all other expenses relating to such mediation shall be borne by the party incurring them.

12.4. Binding Arbitration.

12.4.1. Subjects. All controversies, disputes or claims arising between Franchisor and Franchisee in connection with, arising from, or with respect to: (a) Any provision of this Agreement or any other agreement related to this Agreement between the parties; (b) the relationship of the parties hereto; (c) the validity of this Agreement or any other agreement related to this Agreement between the parties, or any provision thereof; or (d) any specification, standard or operating procedure relating to the establishment or operation of the Franchise Business which is not resolved by mediation as provided in Section 12.3 shall be submitted for binding arbitration in accordance with the rules of the American Arbitrator Association or any successor thereof; provided, however, that Franchisor shall not be required to arbitrate any issues relating to the ownership or use of the Marks, the Trade Secrets and/or the Information. Arbitration is the sole remedy and is a substitute for legal relief in the courts. The arbitrator shall decide whether or not a particular claim is subject to arbitration, except that matters relating to injunctive relief and the availability of class-wide arbitration shall be decided by a court of competent jurisdiction.

12.4.2. Procedures. Franchisor shall propose three potential independent and experienced arbitrators to Franchisee and Franchise shall select one arbitrator from the proposed list. Judgment upon any award of the majority of arbitrators shall be binding and shall be entered in a court of competent jurisdiction. Franchisor has a right to collect as part of its damages, the post-term royalty payments or lost profits for the remaining term of the Franchise Agreement. The award of the arbitrators may grant any relief which is not contrary to the provisions of this Agreement and which might be granted by a court of general jurisdiction, including without limitation an award of damages and/or injunctive relief, and the costs of the arbitration, including the reasonable fees of the arbitrators and reasonable attorneys' fees.

12.4.3. Discovery. Franchisor and Franchisee agree that, in any arbitration arising as described in this Section 12, requests for documents shall be limited to documents (including electronic documents) that are directly relevant to significant issues in the case or to the case's outcome, shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain, and shall not include broad phraseology such as "all documents directly or indirectly related to." For electronic document discovery requests, Franchisor and Franchisee both agree that: (a) The production of electronic documents will be made on the basis of generally available technology in a searchable format which is convenient and economical for the party producing the documents and also usable by the party receiving the documents; (b) Unless there is a showing of compelling need, as determined by the arbitrator, the parties are not required to produce metadata, with the exception that the header fields of email correspondence may be produced; (c) Production of electronic documents need only be from sources used in the ordinary course of business; (d) No documents shall be required to be produced from back-up servers, tapes or other media; (e) Only individuals whose electronic documents are reasonably expected to contain evidence that is material to the dispute shall be named as document custodians and requested to provide such electronic documents; and (f) When the costs and burdens of electronic discovery are disproportionate to the nature of the dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator shall either deny such requests or order disclosure on the condition that the requesting party advance the reasonable cost of production to the providing side. Such production costs may be part of the allocation of the costs in the final arbitration award.

12.4.4. Injunctive Relief. Nothing herein shall bar the right of Franchisor to seek and obtain temporary injunctive relief as provided in Section 12.5.

12.4.5. Individual Proceedings. It is the intent of the parties that any arbitration between Franchisor and Franchisee shall be of Franchisee's individual claim and that the claim subject to arbitration shall not be arbitrated on a classwide basis. If there is any dispute on the availability of classwide arbitration, a court of competent jurisdiction shall decide the matter.

12.5. Injunction. Franchisee expressly consents and agrees that Franchisor may, in addition to any other available remedies, obtain injunctive relief (including a temporary restraining order,

preliminary injunction and/or specific performance) to terminate or prevent the continuation of any default or prevent any threatened default of this Agreement without having to show any actual damage and without the requirement for the posting of a bond, such requirement being waived by Franchisee, until a final determination is made by a court of competent jurisdiction. It is specifically agreed that Franchisor may incur incalculable and irreparable damage from any violation of Article 9, and that Franchisor has no adequate remedy at law for such a violation and is entitled to injunctive relief for any such actual or threatened violation. Nothing herein shall be construed as prohibiting Franchisor from pursuing any other available remedies for such breach.

12.6. Right of Franchisor to Cure Defaults. In addition to all other remedies herein granted, if Franchisee shall default in any of his obligations related to the operation of the Franchise Business, or if Franchisee shall breach any term or condition of this Agreement or any related agreement pertaining to or concerning the franchise granted hereunder, Franchisor may, at its election, immediately or anytime thereafter, without waiving any claim for breach hereunder, cure such default(s) for the account, and on behalf, of Franchisee, and the cost to Franchisor thereof shall be due and payable by Franchisee to Franchisor on demand. Franchisor shall not be responsible to Franchisee for any loss or damage resulting in any manner by reason of Franchisor undertaking in good faith any acts to cure any default(s) by Franchisee.

12.7. Waiver of Punitive Damages. Franchisor and Franchisee hereby waive to the fullest extent permitted by law any right to or claim for any consequential, punitive or exemplary damages against the other, and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained.

12.8. Attorneys' Fees. Should either party be required to enforce its rights hereunder through arbitration or litigation, the prevailing party shall be entitled to recover its reasonable costs and expenses, including without limitation attorneys' fees and costs, and such expenses on appeal, to be determined by the arbitrators, or in the case of litigation, by the court and not a jury.

13. MISCELLANEOUS.

13.1. Relationship of Parties. Franchisee is an independent contractor. Neither party is the legal representative or agent of, or has the power to obligate (or has the right to direct or supervise the daily affairs of) the other for any purpose whatsoever, and no partnership, joint venture, agency, employment or fiduciary relationship is intended or created by reason of this Agreement except for Franchisor's disclosure of the Trade Secrets and Information to Franchisee in trust. Without limiting the generality of the foregoing, Franchisor assumes no liability for the operation and physical condition of the Franchise Business.

13.2. Notices.

13.2.1. Addresses. All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or by telecopy, one day after being sent by email provided no message is received that the email was undeliverable or one day after being sent prepaid by overnight commercial courier service for next business day delivery, or five days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Notice may also be given by an email containing a PDF of a document to Franchisee's last known email address. Notice by email will be deemed delivered the day after it is sent by email provided that it is sent during regular business hours and an undeliverable email address notice is not received within 12 hours. If an undeliverable email address notice is received, then notice will be provided by another means stated in this Section. Any notice to Franchisor shall be addressed to:

BRAKE MASTERS SYSTEMS, INC.
6179 East Broadway Boulevard
Tucson, Arizona 85711
FAX: 520/512-1000

Any notice to Franchisee may be addressed to it at either the address of the Franchise Business, to the address set forth in the first Paragraph of Exhibit "1" or to its last known email address. Either party may designate another address at any time by appropriate written notice to the other. All payments and regular reports required to be made by Franchisee shall be delivered to Franchisor at the above address, but need not be sent by certified or registered mail.

13.2.2. Disclosure. The home address and telephone number of Franchisee, or Franchisee's president if Franchisee is a corporation, are set forth in Paragraph 13.2.2 of Exhibit "1." Franchisee shall promptly notify Franchisor of all changes to the information set forth in Paragraph 13.2.2 of Exhibit "1." Franchisor is hereby authorized to disclose and publish such address and telephone number, and any changes thereto, to the extent required by law.

13.3. Time. Time is of the essence of this Agreement with respect to each and every provision in which time is a factor. Wherever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event; and for any period of five or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, periods longer than five days shall be measured by calendar days, except that if the last day of such a period is not a business day, the period shall automatically be extended to the next business day.

13.4. Interpretation.

13.4.1. Entire Agreement. All of the Exhibits to this Agreement are hereby incorporated herein by reference. Except for or other than those representations contained in the Franchise Disclosure Document previously delivered to Franchisee, this Agreement, including its Exhibits and the documents expressly referred to herein (but excluding any third party leases), sets forth the final and complete agreement between the parties with respect to the subject matter hereof, and it completely supersedes all prior negotiations, and oral and written agreements and understandings between the parties pertaining to the subject matter hereof, except that nothing in this Agreement or in any related agreements is intended to disclaim the representations Franchisor has made in the franchise disclosure document.

13.4.2. Amendments. Except as otherwise expressly provided herein, this Agreement may be amended only by a written document signed by the party sought to be charged with such amendment. This limitation on modification is not subject to oral rescission, modification or waiver.

13.4.3. Franchisor Approval. In all cases where Franchisor's prior approval is required and no other method or times for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and Franchisor shall notify Franchisee in writing of its decision within ten business days after receiving Franchisee's written request and all supporting documentation. Except as otherwise expressly provided in this Agreement, whenever the consent or approval of Franchisor is required hereunder, such consent or approval must be in writing and may be withheld only in the reasonable discretion of Franchisor. Franchisor's consent to or approval of any act or request by Franchisee shall be effective only to the extent stated; shall not be deemed to waive or render unnecessary consent or approval of any subsequent similar act or request; and shall not constitute a recommendation, guaranty or warranty with respect to the suitability or success of the matter consented to or approved.

13.4.4. Waiver and Delay. Except as expressly provided in Section 12.2, no waiver or delay by Franchisor in requiring strict compliance with respect to any obligation of this Agreement (or in the exercise of any right or remedy provided herein), and no custom or practice at variance with the requirements hereof, shall constitute a waiver or modification of any such obligation, requirement, right or remedy, or preclude exercise of any such right or remedy or the right to require strict compliance with any obligation set forth herein, or shall preclude, affect or impair enforcement of any right or remedy provided herein with respect to any subsequent default. Franchisor's acceptance of any payments by Franchisee shall not be construed to be a waiver of any breach or default of any term, covenant or condition of this Agreement. All remedies, either under this Agreement, at law, in equity, or otherwise afforded to Franchisor, shall be cumulative and not alternative and may be exercised simultaneously or sequentially in any order.

13.4.5. Severability. In the event any term or provision of this Agreement is declared to be invalid or unenforceable for any reason, the provision shall be modified to the extent necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect, and it is hereby declared the intention of the parties that they would have executed this Agreement as so modified.

13.4.6. Construction. The table of contents and captions used in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement. Capitalized terms shall have the meanings defined where such terms occur in this Agreement in quotation marks. The language of this Agreement shall be construed simply according to its fair meaning and not strictly for or against either party. If Franchisee shall be two or more persons and/or entities (notwithstanding any agreement, arrangement or understanding between or among such persons or entities) the rights, privileges and benefits granted herein may only be exercised and enjoyed jointly; the liabilities and responsibilities hereunder assumed, however, shall be the joint and several obligations of such persons or entities. Words in this Agreement shall be deemed to refer to whatever number or gender the context requires. It is the intention of the parties hereto that if any provision in this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. Each term and provision of this Agreement to be performed by Franchisee shall be construed to be both a covenant and a condition.

13.5. Successors. Subject to the restrictions on transfer in Article 10, this Agreement shall be binding upon and inure to the benefit of the permitted successors, assigns, heirs and personal representatives of the parties.

13.6. Submission of Agreement. The delivery of this Agreement does not constitute an offer to Franchisee, and this Agreement shall become binding and effective only upon execution by both Franchisee and an authorized officer of Franchisor.

13.7. Acknowledgements.

13.7.1. Risks. Franchisee acknowledges that he has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it is speculative and involves business risks, and that making a success of the business will be largely dependent upon his own skills, business abilities and efforts. Franchisor expressly disclaims the making of, and Franchisee acknowledges that he has not received nor relied upon, any representation, warranty or guaranty, expressed or implied, as to the potential volume, profits or success of the business contemplated by this Agreement.

13.7.2. No Other Representations. Franchisee hereby expressly warrants that he has no knowledge of any information, promise, claim or representation about the Franchise Business, by Franchisor or its officers, directors, shareholders, employees or agents, that is contrary to the terms of this Agreement or the Franchise Disclosure Statement previously furnished to Franchisee.

FRANCHISEE ACKNOWLEDGES AND UNDERSTANDS THAT: (a) FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL EARN OR IS LIKELY TO EARN A PROFIT; (b) FRANCHISOR WILL NOT PROVIDE A LOCATION, OR ASSIST FRANCHISEE IN FINDING A LOCATION FOR HIS FRANCHISE BUSINESS; AND (c) FRANCHISOR HAS MADE NO REPRESENTATION THAT IT WILL BUY BACK FROM FRANCHISEE ANY INVENTORY, SUPPLIES OR EQUIPMENT PURCHASED BY FRANCHISEE FROM FRANCHISOR OR OTHERS. FRANCHISEE REPRESENTS TO FRANCHISOR, AS AN INDUCEMENT TO ITS ENTRY INTO THIS AGREEMENT, THAT FRANCHISEE HAS MADE NO MISREPRESENTATIONS TO FRANCHISOR IN OBTAINING THIS AGREEMENT.

FRANCHISEE REPRESENTS THAT IT HAS NOT SIGNED THIS AGREEMENT IN RELIANCE ON ANY SHAREHOLDER, DIRECTOR, OFFICER, OR EMPLOYEE REMAINING WITH FRANCHISOR IN THAT CAPACITY.

13.7.3. Advisors. Franchisee acknowledges that he has received, read and understands this Agreement, the attachments hereto and all disclosure documents delivered in connection herewith; that Franchisee has had ample time and opportunity to review such documents with his own legal counsel and other advisors of his own choosing and to consult with them about the potential benefits and risks of entering into this Agreement; and that Franchisor has fully and adequately explained the provisions of such documents to the satisfaction of Franchisee.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the date first above written.

"**Franchisee**"

_____

By_____
(Signature)

_____
(Print or Type Name)

Its:_____
(Title)

"**Franchisor**"

BRAKE MASTERS SYSTEMS, INC., an Arizona corporation

By_____
(Signature)

_____
(Print or Type Name)

Its:_____
(Title)

EXHIBIT "1"
TO
FRANCHISE AGREEMENT

T E R M S

Franchisee. Franchisee's full legal name is _____.

Franchisee is a/an _____ whose address is:

_____

_____

Att'n: _____

Telephone: (_____)_____

Fax: (_____)_____

3.1 Site Selection. Franchisee shall obtain a site for the Franchise Business within the following geographic area:

_____

_____.

3.2.2 Approved Location. The approved location for Franchisee's Franchise Business is:

_____.

4.1.1 Franchise Fee. The Franchise Fee to be paid by Franchisee to Franchisor shall be $_____.

4.1.2 Software License Fee. The software license fee to be paid by Franchisee shall be $_____.

4.2 Royalty Fees. Franchisee shall pay Franchisor nonrefundable Royalty Fees equal to _____% of Franchisee's Gross Sales.

4.3.1A Grand Opening Advertising. Franchisee shall spend $_____ for grand opening advertising.

5.1 Effective Date: The Franchisee Agreement shall be effective as of, and commence on _____, 20__.

13.2.2 Home Address and Telephone: The name, home address and telephone number of Franchisee, or Franchisee's principal if Franchisee is a corporation or other business entity, are:

_____
Name

_____
Street Address

_____
City, State, Zip Code

_____
Telephone Number

Franchisor Initials: _____

Franchisee Initials: _____

EXHIBIT "2"
TO
FRANCHISE AGREEMENT

GUARANTY

As an inducement to BRAKE MASTERS SYSTEMS, INC. ("**Franchisor**") to execute the Franchise Agreement (the "**Agreement**") between _____ ("**Franchisee**") and Franchisor, dated _____, _____, the undersigned, _____, together with all persons and entities who may become guarantors (collectively the "**Guarantors**"), jointly and severally, unconditionally guarantee that Franchisee will fully, promptly and faithfully perform and discharge all of its obligations, covenants, duties and conditions under the Agreement, and under any and all instruments, documents or other evidence of indebtedness, amending and/or issued in connection with or pursuant to the Agreement and all related obligations (collectively the "**Obligations**"). The Guarantors and each of them hereby promise to pay on demand any and all indebtedness of Franchisee and perform each Obligation required of Franchisee.

The Guarantors jointly and severally hereby agree to defend, indemnify, exonerate and hold Franchisor, and Franchisor's officers, directors, employees and agents, harmless from and against any and all damage it may suffer as a result of: (1) any breach of any representations or warranties made by Franchisee pursuant to the Obligations, and (2) any failure to perform or any event of default by Franchisee with respect to any of its obligations, covenants, duties and conditions pursuant to the Obligations.

The obligations of Guarantors hereunder are independent of the obligations of Franchisee under the Obligations. A separate action or actions may be brought and prosecuted directly against any one or more of the Guarantors, whether or not an action is brought first or at all against Franchisee or any other Guarantor, or whether or not Franchisee or any other Guarantor is joined in any such action or actions, and with or without any exercise of any other remedy Franchisor may have pursuant to the Obligations. A discharge in bankruptcy of the Franchisee by a Bankruptcy Court that is “full satisfaction” (or words to such effect) of the Franchise Agreement’s obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of Guarantor and Franchisor may pursue Guarantor for the entire amount due and owing Franchisor regardless of the discharge.

Guarantors each authorize Franchisor, without notice or demand and without affecting any Guarantor's liability hereunder, from time to time to: (1) renew, compromise, settle, adjust, extend, accelerate or otherwise change the time for payment of or otherwise alter the terms of the Agreement, the obligations or indebtedness of Franchisee pursuant to the Obligations; (2) take and hold security for the performance of this Guaranty or the Obligations guaranteed, and exchange, enforce, waive and release any security held; (3) apply any security and direct the order or manner of sale thereof as Franchisor in its discretion may determine; (4) release or substitute one or more of the Guarantors; and (5) assign this Guaranty in whole or in part.

Guarantors each waive any right to require Franchisor to: proceed against Franchisee or any other Guarantors; proceed against, protect, preserve or exhaust any security from Franchisee; or pursue any other remedy in the power of Franchisor. Guarantors each waive all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor and notices of acceptance of this Guaranty and of the existence, creation, modification of terms, or incurring of new or additional indebtedness of Franchisee to Franchisor.

Guarantor waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (i) any “one action” or “anti-deficiency” law or any other law, including without limitation A.R.S. Sections 12-1566, 33-729 and 33-814, which may prevent Franchisor from bringing any action, including a claim for deficiency, against Guarantor, before or after Franchisor’s commencement or completion of any foreclosure action, either

judicially or by exercise of a power of sale or (ii) any defenses given to guarantors at law or in equity other than actual payment and performance of the indebtedness.

Guarantors each agree to pay all reasonable attorneys' fees and other costs and expenses which may be incurred by Franchisor in connection with the enforcement of the Obligations or this Guaranty.

The provisions of the Agreement providing that Arizona law shall govern, and requiring mediation and binding arbitration in Tucson, Arizona shall also apply to this Guaranty and each Guarantor.

Dated: _____, _____.

GUARANTOR:

_____ _____

(Signature) (Spouse's Signature)

_____ _____

(Print Name) (Print Name)

_____

(Street Address)

_____

(City, State, Zip Code)

_____

(Telephone Number)

EXHIBIT "3"
TO
FRANCHISE AGREEMENT

C O N F I D E N T I A L I T Y A N D
N O N C O M P E T I T I O N A G R E E M E N T

NAME OF AGENT: _____
NAME OF FRANCHISEE: _____
DATED: _____, _____.

A. BRAKE MASTERS SYSTEMS, INC., an Arizona corporation ("**Franchisor**"), has developed and owns a distinctive system (the "BRAKE MASTERS **System**") for operating and marketing stores known as "BRAKE MASTERS" which service and repair automobile brakes.

B. Franchisor has licensed _____ ("**Franchisee**") under a Franchise Agreement (the "**Franchise Agreement**") to use the BRAKE MASTERS System in connection with the operation of a BRAKE MASTERS store.

C. The undersigned Agent holds, or has been offered, a position with Franchisee as a director, officer, partner, shareholder, manager, agent, representative and/or employee, as specified below with Agent's signature (the "**Position**"). An Agent who is a director, officer, partner, manager, or 20% or greater owner of Franchisee is sometimes referred to in this Agreement as a "**Controlling Agent**." Agent's Position will place Agent in a position of trust and confidence with both Franchisor and Franchisee. Agent acknowledges that this position may require disclosure to him or her from time to time of trade secrets and confidential information, including without limitation: record-keeping systems, computerized operating systems, BRAKE MASTERS System manuals, interior construction design and equipment layout, operating methods, services, data collected through e-commerce, business plans, advertising and promotional programs, sales techniques, customer lists, personnel management and control systems, vendor lists, and computer, accounting and inventory systems, together with certain other proprietary information, know-how, techniques, standards, specifications, procedures, processes, plans and methods of operation (collectively the "**Confidential Information**").

D. Agent consequently agrees that it is reasonable and necessary for the benefit of both Franchisor and Franchisee and for the protection of the BRAKE MASTERS System to make the covenants contained in this Agreement.

As an inducement to Franchisor to enter into the Franchise Agreement with Franchisee, and/or in consideration of Agent's employment or continued employment by Franchisee, Agent and Franchisee (on behalf of Franchisee and Franchisor) agree as follows:

1. Ownership. Agent acknowledges that Franchisor and/or Franchisee is/are the sole owner of all the Confidential Information; that the Confidential Information is being imparted to Agent in trust and confidence and only by reason of Agent's Position; and that the Confidential Information is not generally known to the trade or public and is not known to Agent except by reason of such disclosure. Agent further acknowledges that Agent shall acquire no interest in the Confidential Information, other than the right to utilize it in connection with the performance of duties associated with Agent's Position. In addition, Agent acknowledges that the use, duplication or disclosure of the Confidential Information except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor and Franchisee shall suffer irreparable injury thereby.

2. Confidentiality. All of the Confidential Information and all information and knowledge about the BRAKE MASTERS System which is not in the public domain and such other information and material as Franchisor or Franchisee may designate as confidential shall be deemed confidential for purposes of this Agreement. Agent acknowledges that the Confidential Information is disclosed to Agent solely on the condition that Agent agree, and Agent hereby does agree, that Agent: (a) Will use the Confidential Information in strict accordance with the instructions and directions given by Franchisee or Franchisor from time to time; (b) will not use the Confidential Information in any other business or

capacity; (c) will not, at any time, while holding any Position with Franchisee or thereafter, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the Confidential Information, or any portion thereof, to any person or entity other than Franchisee, or employees of Franchisee or Franchisor who need to have such information in connection with their jobs; (d) will not copy any written materials containing the Confidential Information, including without limitation the BRAKE MASTERS System manuals, without Franchisor's prior written consent; (e) will observe and implement all reasonable procedures imposed from time to time by Franchisor and/or Franchisee to prevent the unauthorized use and disclosure of the Confidential Information; (f) will keep all BRAKE MASTERS System manuals and other written materials containing any portion of the Confidential Information in a secure place; and (g) if Agent is legally compelled to disclose any of the Confidential Information, will do so only if Agent has used his or her best efforts to afford Franchisor and Franchisee the opportunity of obtaining appropriate protective orders or other assurances of confidentiality satisfactory to Franchisor and Franchisee.

3. Return of Confidential Material. Upon termination of his or her Position with Franchisee, Agent shall promptly return to Franchisee all copies of any materials containing the Confidential Information and all property belonging to Franchisee and Franchisor, or either of them, in Agent's possession, custody or control, including any of such items produced or prepared by Agent.

4. Assignment of Improvements. Agent agrees to disclose promptly to Franchisor any and all inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by Agent while holding any Position with Franchisee and related to the automotive brake service and repair business, and Agent agrees to assign all Agent's interest therein, if any, to Franchisor. Whenever requested to do so by Franchisor, Agent will execute any and all applications, assignments or other instruments which Franchisor shall deem necessary to apply for and obtain patents and/or copyrights or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination of Agent's Position with respect to inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by Agent while holding any Position with Franchisee, and shall be binding upon Agent's assigns and personal representatives.

5. Noncompetition.

5.1 Covenant. Agent acknowledges that by virtue of his Position, he will learn details about the BRAKE MASTERS System and the business operations of Franchisor and Franchisee, that he will have access to the Confidential Information, and that he will have close contacts with BRAKE MASTERS customers and suppliers for the purpose of maintaining and further developing Franchisee's business and the business and goodwill of the System, and that for these very reasons, he will have the attendant ability to divert trade, and that consequently both Franchisor and Franchisee have strong legitimate interests in obtaining the covenants in this Section 5 for the protection of their respective businesses and the goodwill of the System. Agent therefore agrees that, without the express prior written consent of Franchisor and Franchisee, which either may withhold in its sole absolute discretion, neither Agent, nor any person or entity under Agent's control, nor Agent's spouse or immediate family members, shall, directly or indirectly, engage in, render services or provide financing to, or have any interest in, any Competitive Business (as defined below) located or conducting business within the Region (as defined below) during the Time Period (as defined below). Such prohibited interest would also include a prohibition of any ownership, financing or revenue interest in any land or building used by, leased to or sold to a Competing Business in the Region during the Time Period.

A. Competitive Business. For the purposes of Section 5.1 of this Agreement, the term ”Competitive Business" shall mean any business which repairs or services automobile brakes, or provides automobile lube, oil and filter services, other than an authorized BRAKE MASTERS retail business.

B. Region. For the purposes of Section 5.1 of this Agreement, the term "Region" shall mean (a) a radius of 5 miles from the site where Franchisee's BRAKE MASTERS business is or was located; and (b) for an Agent who is or ever was a Controlling Agent: (i) the county in which Franchisee's BRAKE MASTERS Business is or was located; and (ii) a radius of 5 miles from the site where any other BRAKE MASTERS retail business is located; and (iii) each county in which another BRAKE MASTERS retail business is located. In addition, for the period that any Agent's Position is that of a

Controlling Agent (but not thereafter), the Region shall also include: (1) the county in which Franchisee's BRAKE MASTERS Franchise Business is or was located; and (2) each entire state where any BRAKE MASTERS retail business is located; and (3) a radius of 100 miles from the site where Franchisee's BRAKE MASTERS Franchise Business is or was located; and (4) the entire United States of America.

C. Time Period. For the purposes of Section 5.1 of this Agreement, the term "Time Period" shall mean (1) the period that Agent holds any Position with Franchisee; and (2) after Agent no longer holds any Position with Franchisee, for a period of two years if Agent ever was a Controlling Agent, or one year if Agent never was a Controlling Agent; *provided, however,* that the Time Period shall not exceed: (a) a period of one year after an assignment of the Franchise Agreement by Franchisee approved by Franchisor, or (b) beginning when the Franchise Agreement is no longer in effect for any reason other than such an assignment and continuing for whichever of the following periods is shorter: (i) two years, or (ii) one year after the opening of a new BRAKE MASTERS retail business in Franchisee's Area (as defined in the Franchise Agreement); *provided further, however,* that the Time Period shall be tolled and suspended and not run while Agent is engaged in any Competitive Business within the Region.

5.2 Modification. The covenant set forth in Section 5.1 shall be construed as independent of any other covenant or provision of this Agreement or any other agreement. Franchisor may reduce the scope of the obligations under the covenant unilaterally and without the consent of any other person or entity, effective upon giving notice thereof.

6. No Solicitation. While Agent holds a Position with Franchisee, Agent shall not employ or solicit for employment any person who is at the time employed by Franchisor, Franchisee or any other franchisee in the BRAKE MASTERS System, and Agent shall not directly or indirectly induce such person to leave such employment.

7. Injunctive Relief. In the event of an actual or threatened breach by Agent of any of the provisions of this Agreement, Franchisee and Franchisor, or either of them, or their agents, shall immediately be entitled to injunctive relief restraining Agent from the breach or threatened breach without having to show any actual damage. It is specifically agreed that Franchisee and Franchisor, or either of them, may incur incalculable and irreparable damage from any such violation, and that Franchisee and Franchisor, or either of them, have no adequate remedy at law and are entitled to injunctive relief for any such actual or threatened violation. Nothing herein shall be construed as prohibiting Franchisee and Franchisor, or either of them, from pursuing any other available remedies for such breach.

8. Survival. The provisions of this Agreement shall survive the expiration or termination of any agreement or relationship between Franchisee and Agent for any reason, and shall be enforceable notwithstanding the existence of any claim or cause of action of Agent against Franchisee and Franchisor, or either of them, predicated on any contract or other basis whatsoever.

9. Severability. In the event any term or provision of this Agreement is declared to be invalid or unenforceable for any reason, the provision shall be modified to the extent necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect, and it is hereby declared the intention of the parties that they would have executed the Agreement as so modified.

10. General. Except as otherwise expressly provided herein, this Agreement contains the entire understanding between the parties with respect to the subjects hereof, and supersedes all prior oral and written negotiations and agreements. Except as provided in Section 5.2, this Agreement may be amended only by an instrument in writing signed by Franchisee and Agent. The waiver of any breach or violation of this Agreement shall not be deemed to amend this Agreement and shall not constitute a waiver of any other or subsequent breach. Headings are for convenience and shall not limit or control interpretation. Words in this Agreement shall be deemed to refer to whatever number and gender the context requires. If Agent is an officer, director, shareholder or partner of Franchisee, this Agreement shall be governed by the laws of Arizona; in all other cases this Agreement shall be governed by the laws of the state in which Franchisee's BRAKE MASTERS store is located. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. Franchisor shall be a

third party beneficiary of this Agreement and entitled to enforce it as though Franchisor were a signatory but shall not be obligated to do so. Sections 12 and 13 of the Franchise Agreement apply to this Agreement unless specifically addressed in this Agreement.

AGENT
(Individually, and on behalf of Agent's immediate family members and all persons and entities under Agent's control):

_____
(Signature)

_____
(Name: Printed or Typed)

Position(s) with Franchisee [check all that apply]:

- ☐ ____% Owner
- ☐ Owner Representative
- ☐ Partner
- ☐ Director
- ☐ Officer:_____ [provide title]
- ☐ Manager
- ☐ Other: _____ [specify]

_____
(Residential Street Address)

_____
(City, State, Zip Code)

Dated: _____, 20__

AGENT'S SPOUSE:

The undersigned spouse of Agent hereby consents to, and agrees to be bound by, the foregoing Agreement:

_____
(Signature of Agent's Spouse)

_____
(Printed or Typed Name of Agent's Spouse)

Dated: _____, 20__

ACCEPTED BY FRANCHISEE
(For itself and on behalf of Franchisor):

_____
(Full Legal Name of Franchisee)

By: _____
(Signature)

_____
(Name Printed or Typed)

Its: _____
(Title)

Dated: _____. 20__

EXHIBIT "4"
TO
FRANCHISE AGREEMENT

C O N F I D E N T I A L I T Y A G R E E M E N T

NAME OF AGENT: _____

NAME OF FRANCHISEE: _____

DATED: _____, _____.

A. BRAKE MASTERS SYSTEMS, INC., an Arizona corporation ("**Franchisor**"), has developed and owns a distinctive system (the "BRAKE MASTERS **System**") for operating and marketing stores known as "BRAKE MASTERS" which service and repair automobile brakes.

B. Franchisor has licensed _____ ("**Franchisee**") under a Franchise Agreement (the "**Franchise Agreement**") to use the BRAKE MASTERS System in connection with the operation of a BRAKE MASTERS store.

C. The undersigned Agent holds, or has been offered, a position with Franchisee as a director, officer, partner, shareholder, manager, agent, representative and/or employee, as specified below with Agent's signature (the "**Position**"). This Position will place Agent in a position of trust and confidence with both Franchisor and Franchisee. Agent acknowledges that this position may require disclosure to him or her from time to time of trade secrets and confidential information, including without limitation: record-keeping systems, computerized operating systems, BRAKE MASTERS System manuals, interior construction design and equipment layout, operating methods, services, business plans, advertising and promotional programs, sales techniques, customer lists, personnel management and control systems, vendor lists, and computer, accounting and inventory systems, together with certain other proprietary information, know-how, techniques, standards, specifications, procedures, processes, plans and methods of operation (collectively the "**Confidential Information**").

D. Agent consequently agrees that it is reasonable and necessary for the benefit of both Franchisor and Franchisee and for the protection of the BRAKE MASTERS System to make the covenants contained in this Agreement.

As an inducement to Franchisor to enter into the Franchise Agreement with Franchisee, and/or in consideration of Agent's employment or continued employment by Franchisee, Agent and Franchisee (on behalf of Franchisee and Franchisor) agree as follows:

1. Ownership. Agent acknowledges that Franchisor and/or Franchisee is/are the sole owner of all the Confidential Information; that the Confidential Information is being imparted to Agent in trust and confidence and only by reason of Agent's Position; and that the Confidential Information is not generally known to the trade or public and is not known to Agent except by reason of such disclosure. Agent further acknowledges that Agent shall acquire no interest in the Confidential Information, other than the right to utilize it in connection with the performance of duties associated with Agent's Position. In addition, Agent acknowledges that the use, duplication or disclosure of the Confidential Information except as expressly permitted by this Agreement shall constitute an unfair method of competition and that Franchisor and Franchisee shall suffer irreparable injury thereby.

2. Confidentiality. All of the Confidential Information and all information and knowledge about the BRAKE MASTERS System which is not in the public domain and such other information and material as Franchisor or Franchisee may designate as confidential shall be deemed confidential for purposes of this

Agreement. Agent acknowledges that the Confidential Information is disclosed to Agent solely on the condition that Agent agree, and Agent hereby does agree, that Agent: (a) will use the Confidential Information in strict accordance with the instructions and directions given by Franchisee or Franchisor from time to time; (b) will not use the Confidential Information in any other business or capacity; (c) will not, at any time, while holding any Position with Franchisee or thereafter, in any manner or form, directly or indirectly, disclose, duplicate, license, sell, reveal, divulge, publish or communicate the Confidential Information, or any portion thereof, to any person or entity other than Franchisee, or employees of Franchisee or Franchisor who need to have such information in connection with their jobs; (d) will not copy any written materials containing the Confidential Information, including without limitation the BRAKE MASTERS System manuals, without Franchisor's prior written consent; (e) will observe and implement all reasonable procedures imposed from time to time by Franchisor and/or Franchisee to prevent the unauthorized use and disclosure of the Confidential Information; (f) will keep all BRAKE MASTERS System manuals and other written materials containing any portion of the Confidential Information in a secure place; and (g) if Agent is legally compelled to disclose any of the Confidential Information, will do so only if Agent has used his or her best efforts to afford Franchisor and Franchisee the opportunity of obtaining appropriate protective orders or other assurances of confidentiality satisfactory to Franchisor and Franchisee.

3. Return of Confidential Material. Upon termination of his or her Position with Franchisee, Agent shall promptly return to Franchisee all copies of any materials containing the Confidential Information and all property belonging to Franchisee and Franchisor, or either of them, in Agent's possession, custody of control, including any of such items produced or prepared by Agent.

4. Assignment of Improvements. Agent agrees to disclose promptly to Franchisor any and all inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by Agent while holding any Position with Franchisee and related to the automotive brake service and repair business, and Agent agrees to assign all Agent's interest therein, if any, to Franchisor. Whenever requested to do so by Franchisor, Agent will execute any and all applications, assignments or other instruments which Franchisor shall deem necessary to apply for and obtain patents and/or copyrights or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination of Agent's Position with respect to inventions, discoveries and improvements, whether or not patentable or copyrightable, conceived or made by Agent while holding any Position with Franchisee, and shall be binding upon Agent's assigns and personal representatives.

5. Injunctive Relief. In the event of an actual or threatened breach by Agent of any of the provisions of this Agreement, Franchisee and Franchisor, or either of them, or their agents, shall immediately be entitled to injunctive relief restraining Agent from the breach or threatened breach without having to show any actual damage. It is specifically agreed that Franchisee and Franchisor, or either of them, may incur incalculable and irreparable damage from any such violation, and that Franchisee and Franchisor, or either of them, have no adequate remedy at law and are entitled to injunctive relief for any such actual or threatened violation. Nothing herein shall be construed as prohibiting Franchisee and Franchisor, or either of them, from pursuing any other available remedies for such breach.

6. Survival. The provisions of this Agreement shall survive the expiration or termination of any agreement or relationship between Franchisee and Agent for any reason, and shall be enforceable notwithstanding the existence of any claim or cause of action of Agent against Franchisee and Franchisor, or either of them, predicated on any contract or other basis whatsoever.

7. Severability. In the event any term or provision of this Agreement is declared to be invalid or unenforceable for any reason, the provision shall be modified to the extent necessary to make it enforceable, or if it cannot be so modified, then severed, and the remaining terms of this Agreement shall remain in full force and effect, and it is hereby declared the intention of the parties that they would have executed the Agreement as so modified.

8. General. Except as otherwise expressly provided herein, this Agreement contains the entire understanding between the parties with respect to the subjects hereof, and supersedes all prior oral and written negotiations and agreements. This Agreement may be amended only by an instrument in writing signed by Franchisee and Agent. The waiver of any breach or violation of this Agreement shall not be deemed to amend this Agreement and shall not constitute a waiver of any other or subsequent breach. Headings are for convenience and shall not limit or control interpretation. Words in this Agreement shall be deemed to refer to whatever number and gender the context requires. If Agent is an officer, director, shareholder or partner of Franchisee, this Agreement shall be governed by the laws of Arizona; in all other cases this Agreement shall be governed by the laws of the state in which Franchisee's BRAKE MASTERS store is located. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns. Franchisor shall be a third party beneficiary of this Agreement and entitled to enforce it as though Franchisor were a signatory but shall not be obligated to so do. Sections 12 and 13 of the Franchise Agreement apply to this Agreement unless specifically addressed in this Agreement.

AGENT:

_____
(Signature)

_____
(Name Printed or Typed)

_____
(Position(s))

_____
(Street Address)

_____
(City, State, Zip Code)

ACCEPTED:
FRANCHISEE:

_____

By: _____

Its: _____
(Title)

Dated: _____

The undersigned spouse of Agent hereby consents to, and agrees to be bound by, the foregoing Agreement.

_____
(Signature of Agent's Spouse)

_____
(Printed or Typed Name of Agent's Spouse)

EXHIBIT D

BRAKE MASTERS SYSTEMS
MULTI-STORE AMENDMENT

This Multi-Store Amendment (this "**Amendment**") is made as of the _____ day of _____, 20___ by and between BRAKE MASTERS SYSTEMS, INC., an Arizona corporation ("**Franchisor**"), and _____ ("**Franchisee**"), as an amendment to the Franchise Agreement (the "**Franchise Agreement**") dated as of _____, 20__ by and between Franchisor and Franchisee.

Franchisee desires to have the right and obligation to develop and operate more than one BRAKE MASTERS store within the area hereinafter described, at locations selected by Franchisee and approved by Franchisor, under a separate franchise agreement for each such store; and Franchisor has agreed to grant Franchisee such rights under the terms and conditions hereinafter set forth.

1. Definitions.

1.1. Integration into Franchise Agreement. This Amendment is hereby incorporated by reference into the Franchise Agreement. All capitalized terms used in this Amendment shall have the meanings defined in the Franchise Agreement unless otherwise expressly defined in this Amendment.

1.2. Related Entity. As used in this Addendum, the term **"Related Entity"** shall mean any corporation, partnership, limited liability company or other legal entity formed by Franchisee to develop, own and/or operate a BRAKE MASTERS store pursuant to this Amendment, which at all times satisfies all of the following conditions:

1.2.1. Voting Rights. Franchisee must own and control not less than 51% of the voting rights of the Related Entity.

1.2.2. Authority. Franchisee must have the authority under the governing documents of the Related Entity and under applicable law (including without limitation the minimum percentage of voting power) to authorize and to prevent a merger, liquidation, dissolution or transfer of substantially all of the assets of the Related Entity.

1.2.3. Control of Operations. Franchisee must establish to Franchisor's satisfaction that Franchisee has and will have the right and power to control the operation of any BRAKE MASTERS store to be owned and operated by the Related Entity.

1.2.4. No Other Business. The Related Entity shall conduct no business other than the operation of one or more BRAKE MASTERS stores under Franchise Agreements with Franchisor.

1.2.5. Minority Owners. All owners of any direct or indirect legal or beneficial interests in the Related Entity must be of good character and reputation.

1.2.6. Guaranties, and Confidentiality and Noncompetition Agreements. Each owner of any direct or indirect legal or beneficial interest in the Related Entity must sign and deliver to Franchisor copies of the Guaranty, the Confidentiality and Noncompetition Agreement, and the Confidentiality Agreement, as required by and attached as Exhibits "2," "3" and "4" respectively to the franchise agreement for that BRAKE MASTERS store to be owned and operated by the Related Entity.

2. DEVELOPMENT AREA.

2.1. Definition. Franchisee and/or its Related Entities shall open the BRAKE MASTERS stores referred to in Section 3.1 of this Amendment within the following area (the "**Development Area**"):

_____

_____

_____

_____

_____

2.2. Franchisee's Protected Rights. For so long as Franchisee is in compliance with the development schedule set forth in Section 3.1 of this Amendment and Franchisee and any Related Entities are not otherwise in material default of this Amendment or the Franchise Agreement, then until 12 months following the opening of the last BRAKE MASTERS store Franchisee is obligated to open as provided in Section 3.1 of this Amendment, Franchisor agrees that, except as provided in the following sentence, it will not itself, or through other franchisees, permit any other BRAKE MASTERS store to be located in the Development Area. Franchisor may, itself, establish BRAKE MASTERS stores within or contiguous to any national or regional "chain" store (having stores in two or more states) located in or out of the Development Area; *provided, however*, that Franchisor shall give Franchisee a first right of refusal to handle any such business or open any such BRAKE MASTERS store in the Development Area if Franchisor has the right to do so under the terms of the contract for any such business or location. Franchisee shall have ten business days to exercise any such right of refusal. Franchisor retains all rights to operate or license BRAKE MASTERS stores located anywhere outside the Development Area, and to sell BRAKE MASTERS or other brand products anywhere in or out of the Development Area through other channels of trade.

3. DEVELOPMENT OBLIGATIONS.

3.1. Schedule. Franchisee and/or its Related Entities agree to lease (or purchase) sites for, construct, open, and continuously thereafter operate the following number of BRAKE MASTERS stores (including the Brake Masters store to be opened pursuant to the Franchise Agreement) in strict accordance with the following development schedule and the requirements of this Amendment and the separate franchise agreements for each such BRAKE MASTERS store:

Number of Months Elapsed from Date of This Amendment	Cumulative Number of Stores for Which Leases and Franchise Agreements Must Be Signed	Cumulative Number of Stores That Must Be Open
9	1	0
12		1

Number of Months Elapsed from Date of This Amendment	Cumulative Number of Stores for Which Leases and Franchise Agreements Must Be Signed	Cumulative Number of Stores That Must Be Open

3.2. Site Selection. Franchisee shall select a specific location within the Development Area for each BRAKE MASTERS store in accordance with Franchisor's guidelines. Each site selected is subject to Franchisor's prior written approval.

3.3. Lease. The purchase contract or lease for the site of each BRAKE MASTERS store is subject to Franchisor's prior written approval. Each lease shall expressly provide that in the event of Franchisee's default, the lessor shall give Franchisor the same notice required to be given to Franchisee, and Franchisor shall have the right, but not the obligation, to cure the default (the cost of which shall be immediately reimbursed to Franchisor by Franchisee) and succeed to Franchisee's rights under the lease. The lease shall also expressly provide that it is immediately assumable by Franchisor, at Franchisor's option, upon the termination or expiration and nonrenewal of the franchise agreement for that BRAKE MASTERS store without further authorization or consent of the lessor. Franchisee and/or the Related Entity shall provide Franchisor with equivalent rights if the BRAKE MASTERS store is operated on property owned by Franchisee and/or the Related Entity, including that Franchisee and/or the Related Entity shall be deemed by this Amendment to have granted Franchisor the option to buy the property at its fair market value. In the event that the parties cannot agree on a purchase price, the price shall be determined by independent appraisal as provided in the franchise agreement for that BRAKE MASTERS store.

3.4. Franchise Agreement. Franchisee and Franchisor shall execute a separate franchise agreement for each BRAKE MASTERS store to be opened by Franchisee or a Related Entity. Upon the approval by Franchisor of the site and lease for a BRAKE MASTERS store location, Franchisor shall forward two copies of its then current form of franchise agreement to Franchisee or the Related Entity. Franchisee or the Related Entity shall execute and return both copies to Franchisor, together with the balance of the initial Franchise Fee for that store as provided in Section 4.2 below. Franchisee and the Related Entity shall have no right to construct or operate a BRAKE MASTERS store at the location until Franchisor has executed the franchise agreements and returned one to Franchisee or the Related Entity. If Franchisee or the Related Entity does not return the executed franchise agreements and pay the initial Franchise Fee to Franchisor within 15 business days after receiving the agreements, Franchisor's approval of the site and lease shall be void and Franchisee and the Related Entity shall have no right whatsoever to construct or open a BRAKE MASTERS store at such location.

3.5. Initial Training. Franchisor will provide initial training for two persons at the same time at no charge under the first franchise agreement entered into by Franchisor and Franchisee for the first BRAKE MASTERS store Franchisee is to open, as described in Section 8.1 of the Franchise Agreement. Neither Franchisee nor any initial or replacement store Manager for Franchisee will thereafter be obligated to attend or complete initial training, and Franchisor will not be obligated to provide such initial training without charge. However, Franchisee may elect to have Franchisor provide initial training to any additional and/or replacement store Managers for $1,000 per person.

4. FEES.

4.1. Development Fee. Upon the execution of this Amendment, Franchisee shall pay Franchisor a development fee (the "**Development Fee**") of $_____ (50% of the total Franchise Fees as provided in Section 4.2 below for all of the BRAKE MASTERS stores to be opened pursuant to this Amendment excluding the first store). The Development Fee shall be fully earned and nonrefundable upon Franchisor's execution of this Amendment, but shall be credited against Franchisee's initial Franchise Fees for all stores other than the first store as provided in Section 4.2 below.

4.2. Initial Franchise Fees. The initial Franchise Fees for each of Franchisee's BRAKE MASTERS stores to be opened pursuant to this Amendment shall be the amounts shown in the following chart, which shall be payable to Franchisor by Franchisee, or the Related Entity if applicable, for each store upon the execution of the franchise agreement for that store, as provided in Section 3.4 above:

Store Number	Total Initial Franchise Fee	Development Fee (Payable upon Signing Multi-Store Amendment)	Balance of Initial Franchise Fee (Payable upon Signing Franchise Agreement for the Store)
1	$22,950 (payable upon signing Franchise Agreement)	Not applicable	Not applicable
2	19,950	$9,975	$9,975
3	16,950	8,475	8,475
4 and each additional Store	13,950	6,975	6,975

5. TERMINATION OF DEVELOPMENT RIGHTS.

5.1. Reasonableness. Franchisee represents that he has conducted his own independent investigation and analysis of the prospects for the establishment of BRAKE MASTERS stores within the Development Area; approves of the development schedule in Section 3.1 above as being reasonable and viable; and recognizes that failure to achieve the results required by the development schedule will constitute a material breach of this Amendment.

5.2. Extensions. The time periods listed in Section 3.1 above shall be extended only if Franchisee can demonstrate to Franchisor's reasonable satisfaction that the need for additional time is due to unforeseeable delays not due to Franchisee's neglect, misconduct or financial inability. Any such extension must be in writing.

5.3. Termination of Development Rights. In the event of Franchisee's failure to meet the development schedule set forth in Section 3.1 above, Franchisor may, at its option, elect to terminate this Amendment, effective one month after giving Franchisee written notice of termination, if Franchisee has not cured the default and met the development schedule within the one month period. Any such termination shall end all Franchisee's rights and future obligations under this Amendment, including without limitation Franchisee's interests in the Development Area, rights to open additional BRAKE MASTERS stores, and credit rights with respect to the Development Fee. Any failure to meet the development schedule shall not otherwise constitute a breach or default of the Franchise Agreement nor be grounds for termination of the Franchise Agreement. Furthermore, any other franchise agreements entered into by Franchisee or a Related Entity with Franchisor pursuant to this Amendment shall remain in full force and effect notwithstanding any termination of this Amendment based solely on Franchisee's failure to meet the development schedule as provided in Section 3.1.

5.4. Termination of Franchise Agreement. Any material breach or default of this Amendment by Franchisee other than Franchisee's failure to meet the development schedule set forth in Section 3.1 above shall constitute a material default under the Franchise Agreement, and shall entitle Franchisor to all of the rights and remedies provided in the Franchise Agreement, including without limitation the right to terminate the Franchise Agreement and this Amendment as provided in Article 11 of the Franchise Agreement.

6. Assignment.

6.1. Obligations and Transfer Fee. Any Assignment of all Franchisee's rights and obligations under this Amendment must be made as provided for in Article 10 of the Franchise Agreement, and is subject to the payment of a transfer fee equal to 15% of the Franchisor's then current initial Franchise Fee, but not less than $3,500.

6.2. Single Store Assignments to a Related Entity. Notwithstanding anything to the contrary in this Amendment or the Franchise Agreement, Franchisee may make an Assignment of his rights and obligations for the development, ownership and operation of a single BRAKE MASTERS store to a Related Entity without payment of the transfer fee set forth in Section 10.1.6 of the Franchise Agreement and without first offering to sell them to Franchisor as set forth in Section 10.5 of the Franchise Agreement, subject to the satisfaction of the conditions set forth in Section 1.2 of this Amendment.

6.3. Development Schedule. For the purpose of determining compliance with the development schedule set forth in Section 3.1 of this Amendment, Franchise Agreements entered into by a Related Entity and BRAKE MASTERS stores opened by a Related Entity, shall be counted to satisfy the development obligations of Franchisee as set forth in Section 3.1 of this Amendment.

7. INTERPRETATION. In the event of any conflict between the express provisions of this Amendment and the Franchise Agreement or any franchise agreement for additional BRAKE MASTERS stores entered into pursuant to this Amendment, the terms of this Amendment shall control. Except as expressly amended by this Amendment, the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Multi-Store Amendment as of the date first above written.

"Franchisee":	**"Franchisor":**
_____	**BRAKE MASTERS SYSTEMS, INC.,** an Arizona corporation
_____	
By: _____	By: _____
(Signature)	(Signature)
_____	_____
(Type or Print Name)	(Type or Print Name)
Its: _____	Its: _____
(Title)	(Title)

EXHIBIT E

ENTIRE MARKETING AREA ADDENDUM
TO
MULTI-STORE AMENDMENT

This Entire Marketing Area Addendum to Multi-Store Amendment (this "**Addendum**") is made as of the _____ day of _____, 20__ by and between BRAKE MASTERS SYSTEMS, INC., an Arizona corporation ("**Franchisor**"), and _____ ("**Franchisee**"), as an addendum to the Multi-Store Amendment (the **"Amendment"**) and the Franchise Agreement (the "**Franchise Agreement**"), both dated as of _____, 20___ , by and between Franchisor and Franchisee.

Franchisee desires to have the right and obligation to develop and operate the number of BRAKE MASTERS stores necessary to cover an entire broadcast media marketing area, as set forth in the Amendment, and Franchisor has therefore agreed to grant Franchisee certain additional rights under the terms and conditions hereinafter set forth.

This Addendum is hereby incorporated by reference into the Amendment and the Franchise Agreement. All capitalized terms used in this Addendum shall have the meanings defined in the Amendment and the Franchise Agreement unless otherwise expressly defined in this Addendum.

1. RIGHT OF FIRST REFUSAL.

(a) If Franchisee has complied with the development schedule set forth in Section 2.1 of the Amendment, and is not in material default of this Addendum, the Amendment or the Franchise Agreement, then beginning upon the expiration of the 12 month period following the opening of the last BRAKE MASTERS store Franchisee was obligated to and did open as provided in Section 2.1 of the Amendment, and continuing for so long as all of those stores (or approved relocations of those stores) are open and operating as BRAKE MASTERS stores under a franchise agreement with Franchisor, Franchisor grants Franchisee a right of first refusal for any BRAKE MASTERS store to be located in the Development Area.

(b) If Franchisor intends to open such a store itself, or wishes to franchise an affiliate of Franchisor or a third party to do so, Franchisor shall first provide Franchisee with notice of the proposed general location of the store, and a copy of Franchisor's then current form of Disclosure Document, together with completed copies of the then current forms of agreements to be executed by Franchisee.

(c) Franchisee may, at its option, accept the franchise by signing and returning all of the franchise documents to Franchisor, together with all required fees and other payments; ***provided, however,*** that Franchisee shall not sign documents or make any payments until at least 10 business days after Franchisee received Franchisor's Disclosure Document and at least 5 business days after receipt of the completed copies of the documents to be signed, ***and provided further*** that Franchisee's option shall expire 15 business days after Franchisee has received both Franchisor's Disclosure Document and the completed copies of the documents to be signed. If Franchisee fails to respond to Franchisor within the 15 business day period, Franchisee shall be deemed to have rejected the option.

(d) If Franchisee exercises its option and enters into the franchise agreement as described in paragraph (c) above, then Franchisee's right of first refusal as described in paragraph (a) above shall continue. If Franchisee rejects any option (either directly or by failure to respond), Franchisee's rights of first refusal under this Section 1 shall automatically terminate entirely, and Franchisor may thereafter operate or franchise affiliates and/or third parties to operate BRAKE MASTERS stores anywhere in the Development Area, subject only to Franchisee's protected Area rights under each of the franchise agreements then in effect between Franchisor and Franchisee.

2. **USE OF SYSTEM ADVERTISING FEES**. Franchisor agrees that it will use System Advertising Funds contributed by Franchisee with respect to stores in the Development Area to reimburse Franchisee for the costs of placing advertising in the Development Area. Such advertising shall be selected by Franchisee and placed in the media of Franchisee's choice, provided that such advertising must be pre-approved by Franchisor as provided in Section 4.3.8 of the Franchise Agreement. Reimbursement shall be made by Franchisor to Franchisee by the 15th day of each month for all advertising placement expenses for which Franchisee submitted back-up documentation to Franchisor during the prior month. If at any time in the future, a BRAKE MASTERS store is being operated in the Development Area by anyone other than Franchisee, then Franchisor shall have the option of revoking this Section 2 upon reasonable advance notice to Franchisee.

3. **INTERPRETATION.** In the event of any conflict between the express provisions of this Addendum and the Amendment or the Franchise Agreement, or any franchise agreement for additional Brake Masters stores entered into pursuant to the Amendment, the terms of this Addendum shall control. Except as expressly amended by this Addendum, the Amendment and the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Entire Marketing Area Addendum to Multi-Store Amendment as of the date first above written.

"Franchisee": _____	**"Franchisor": BRAKE MASTERS SYSTEMS,**
_____	**INC.,** an Arizona corporation
By:_____	By:_____
(Signature)	(Signature)
_____	_____
(Type or Print Name)	(Type of Print Name)
Its:_____	Its:_____
(Title)	(Title)

EXHIBIT F

REAL ESTATE DOCUMENTS

Document	Page(s)
Addendum to Lease *[with Third Party]*	F-2
Free Standing Building Lease *[with Heights Properties, LLP]*	F-4 to F-14
with: Personal Guarantee	F-14
Shopping Center Lease *[with Heights Properties, LLP*]	F-15 to F-45
with: Exhibit A – Description of Premises	F-37
Exhibit B – Description of Project	F-38
Exhibit C – Landlord's Rules and Regulations	F-39 to F-40
Exhibit D – Standard Tenant Sign Criteria	F-41
Exhibit E – Landlord's Work / Tenant's Work	F-42
Exhibit F – Satellite Dish/Antenna Installation	F-43
Exhibit G – Option to Extend Term	F-44
Exhibit H – Personal Guarantee	F-45
Memorandum of Option *[for Franchisee Owned Site]*	F-46 to F-47

ADDENDUM TO LEASE

This Addendum to Lease (this "Addendum") is made as of _____, 20__, by and among the undersigned Landlord, the undersigned Tenant, and Brake Masters Systems, Inc. ("Franchisor"), for the purpose of amending and supplementing the Lease dated _____, 20__, between Landlord and Tenant for the Premises described in the Lease. The parties agree as follows:

Tenant, as the franchisee, has entered into a Franchise Agreement with Franchisor for the operation of a BRAKE MASTERS® franchise business (the "Franchise Business") on the Premises. The Premises may be used by Tenant only for a BRAKE MASTERS auto service facility. If Tenant defaults in the performance of any term of the Lease, Landlord agrees to notify Franchisor of the default at the same time and in the same manner as it notifies Tenant. If Tenant fails to cure the default within the cure period specified in the Lease, then (i) Landlord must notify Franchisor in writing of Tenant's failure to cure the default (the "Failure Notice"), and (ii) Franchisor will have the right (but not the obligation) to cure the default within five business days after receipt of the Failure Notice (the "Franchisor Cure Period"). Notwithstanding any other provision in the Lease, Landlord may not terminate the Lease unless and until the Franchisor Cure Period has expired.

Tenant conditionally assigns to Franchisor all of its rights and interests in and to the Lease, and Landlord consents to such assignment; provided, however, that the assignment will become effective only if and when Franchisor exercises the option to assume the Lease granted to Franchisor in this paragraph. Upon the expiration and non-renewal of the Franchise Agreement, or upon a termination of the Franchise Agreement by either party in accordance with the terms thereof (except for a termination due to a transfer of the Franchise Business approved by Franchisor), Franchisor will have the option to assume Tenant's rights and interests in and to the Lease. Franchisor may exercise this option by giving written notice to Landlord and Tenant. Immediately upon receiving the notice, Tenant must vacate the premises and turn them over to Franchisor, and Landlord must recognize Franchisor as Tenant's assignee under the Lease, even if Tenant disputes the grounds for or the validity of the expiration, non-renewal, or termination of the Franchise Agreement. Exercise of the option will not affect any right or claim that Landlord may have against Tenant, or any right or claim that Franchisor or Tenant may have against each other under or with respect to the Franchise Agreement.

This Addendum will remain in effect during the entire term of the Lease and any and all renewals or extensions of the Lease. The Lease may not be amended, assigned, extended, renewed or surrendered, nor may the Premises, or any part of it, be sublet, nor may the Lease be encumbered by Tenant, without the prior written consent of Franchisor in each case. Any failure to obtain Franchisor's consent will not alter or impair Franchisor's rights under this Addendum.

Notice to Franchisor must be in writing and mailed or delivered to Brake Masters Systems, Inc., 6179 East Broadway Boulevard, Tucson, Arizona 85711, or faxed to (520) 512-1000.

Executed as of the date set forth at the beginning of this Addendum.

Landlord	**Tenant**
_____	_____
a(n) _____	a(n) _____
By: _____	By: _____
Its: _____	Its: _____

Franchisor

Brake Masters Systems, Inc., an Arizona corporation

By: _____

Its: _____

FREE STANDING BUILDING LEASE

This Free Standing Building Lease (this "Lease") is entered into and made as of the ____day of _____, 20___ by and between _____(hereinafter referred to as "Landlord"), and _____ (hereinafter referred to as "Tenant"), who, in consideration of the mutual covenants and agreements set forth below, mutually covenant and agree as follows:

1. Lease of Premises.

(a) In consideration of the rents and covenants hereinafter set forth, Landlord hereby leases to Tenant, and Tenant hereby accepts and leases from Landlord, the real property containing approximately _____ square feet commonly known as the building located at _____ together with improvements thereon (collectively, "Premises"), generally as shown on the attached site plan as Exhibit "A" attached hereto and made a part hereof.

(b) Tenant acknowledges that Landlord is leasing the Premises to Tenant because Tenant (or a person or entity controlled by, controlling or under common control with Tenant) is a Franchisee of Brake Masters Systems, Inc. ("BMSI"), and that Landlord would not otherwise lease the Premises to Tenant. Accordingly, Tenant hereby agrees as follows:

(i) Tenant shall use and occupy the Premises for the purpose of operating a Brake Masters® auto service facility only and for no other purpose whatsoever;

(ii) All alterations, additions and improvements to the Premises, and all signs and the placement thereof, must conform to the standards established from time to time by BMSI for the Brake Masters franchise system;

(iii) Any breach or default by Tenant (or Tenant's related party who is the BMSI Franchisee) under the Franchise Agreement, as amended if applicable, which is not cured within the cure period, if any, provided therein shall constitute a material Event of Default by Tenant under Section 21(a) of this Lease;

(iv) BMSI shall be provided with a copy of every notice given by Landlord to Tenant, and by Tenant to Landlord, to be delivered to:

Brake Masters Systems, Inc.
6179 East Broadway Boulevard
Tucson, Arizona 85711;

(v) BMSI shall be deemed a third party beneficiary of this Lease entitled to fully and directly enforce its rights hereunder; and

(vi) Notwithstanding any contrary provisions elsewhere in this Lease, the provisions of this Section 1(b) shall control the terms of this Lease and shall supersede and replace any conflicting provisions elsewhere in this Lease.

2. Term. The term of this Lease ("Term") shall be for a period of _____ (__) years commencing _____ and expiring _____ unless sooner terminated as provided herein. Providing Tenant is not in default under the terms and conditions of this lease Tenant shall have ____ (_), ____ (_) year options to extend the term of this lease agreement. Tenant shall be required to give Landlord ninety (90) days notice prior to the termination of this agreement of his decision to exercise

their option to extend the term of this agreement. Upon the termination or sooner expiration of the Term, all improvements to the Premises made by Tenant during the Term shall become Landlord's property.

3. Rent. Tenant shall pay to Landlord at the office of Landlord, or to such other person or at such other place as Landlord may from time to time direct in writing, in lawful money of the United States of America, an annual rental ("Base Rent") of _____ and __/100 dollars ($_____.__) payable in equal monthly installments ("Monthly Base Rent") of _____ and __/100 dollars ($_____.__) in advance on or before the first day of each and every calendar month of the term of this Lease, which shall be subject to adjustment as provided below. If the Term of this Lease commences on a day other than the first day of a calendar month, or ends on a day other than the last day of a calendar month, then the Monthly Base Rent for such fractional month shall be prorated on the basis of a 365-day year. If default shall be made in the due and punctual payment of an installment of rent, the amount of the installment due and payable shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid. Therefore, in addition to interest, if any such installment is not received by Landlord within ten (10) days from the date it is due, Tenant shall pay Landlord a late charge equal to five percent (5%) of such installment. Acceptance of any interest or late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

4. Rent Adjustment.

(a) Each _____ __ through _____ __ is hereinafter referred to as a "Lease Year". Effective as of _____ __, ____ and each _____ __ of each succeeding Lease Year of the Term, the Base Rent for each of such Lease Years shall be adjusted by an amount equal to the product obtained by multiplying (a) the Base Rent (unadjusted) by (b) the percentage increase in the Consumer Price Index (as hereinafter defined) for the month of _____ of the Lease Year which has just expired over the Consumer Price Index for the month of _____, _____, provided, however, in no event shall any such adjustment reduce the Base Rent payable below the Base Rent as adjusted for the prior Lease Year. In the event of any increase in the Base Rent, the Monthly Base Rent shall be increased by an amount which results in the payment of the adjusted Base Rent in twelve (12) equal monthly installments during the Lease Year. Until Landlord furnishes a notice to Tenant of any increase in the Base Rent for any Lease Year, Tenant shall continue to pay to Landlord the Monthly Base Rent in an amount equal to the latest adjusted installment thereof. Upon receipt of such notice, the difference between the amount of any increase in the Monthly Base Rent owed and the amount of Monthly Base Rent paid during any Lease Year prior to the date of receipt of such notice shall be due and payable within ten (10) days thereafter.

(b) For purposes hereof, the term "Consumer Price Index" shall mean the Consumer Price Index for All Urban Consumers (All Items) 1982-1984=100. If the manner in which the Consumer Price Index as determined by the Department of Labor shall be substantially revised, and the effect of any such revision may be reasonably determined or approximated, an adjustment shall be made in such revised index by Landlord in order to produce results equivalent, as nearly as possible, to those which would have been obtained if the Consumer Price Index had not been so revised. If the Consumer Price Index shall become unavailable to the public because publication is discontinued or otherwise, Landlord shall substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication.

5. Condition of Premises. Tenant's entry and possession of all or any part of the Premises shall be conclusive evidence as against Tenant that the Premises are in good order and satisfactory condition when Tenant took possession thereof. No promise of Landlord or its agents to alter, remodel or improve the Premises or any improvements on or comprising the same, and no representation respecting the condition of the Premises or the improvements on or comprising the same, have been made by Landlord or its agents to Tenant, and Tenant accepts the same "as is".

6. Use. Tenant shall not allow the Premises or the equipment contained therein to be used for any purpose which may increase the rate of insurance thereon. Tenant shall not permit any transfer by operation of law or otherwise of its interest in the Premises acquired through this Lease, and will not permit the Premises to be used for any unlawful purpose, or for any purpose which may injure the reputation of the Premises or increase the fire hazard of the same or disturb other tenants or members of the neighborhood. Tenant shall not allow any signs, cards or placards to be posted or placed on the Premises or permit any alteration of or addition to any part thereof, without the prior written consent of Landlord first had.

7. Alterations, Mechanics' Lien. Tenant may not perform any alterations to or for the benefit of the Premises or any part thereof without the prior written consent of Landlord first had. Landlord's consent to any such alterations shall be conditioned upon such requirements as Landlord deems appropriate including, without limitation, the submission of detailed plans and specifications therefor and to require Tenant to furnish to Landlord satisfactory security for the payment of all costs to be incurred in connection with any such alterations. Furthermore, Tenant shall furnish Landlord with contractors' affidavits and full and final waivers of lien covering all labor and materials expended and used in connection with any such alternations. All alterations and additions to the Premises shall remain for the benefit of Landlord after the expiration of the Term or sooner termination of this Lease unless otherwise provided in the consent therefor. Tenant shall not permit any mechanic's lien or liens to be placed upon the Premises thereon during the Term hereof, and in the event of the filing of such lien, Tenant shall promptly pay and remove the same. If default in the payment and release of such lien shall continue for ten (10) days after written notice thereof from Landlord to Tenant, Landlord shall have the right and privilege at Landlord's option of paying the same or any portion thereof without inquiry as to the validity thereof, and any amounts so paid, including expenses and interest, shall be additional rent hereunder due from Tenant to Landlord and shall be repaid to Landlord immediately on rendition of a statement therefor.

8. Indemnity. Tenant covenants and agrees that it will indemnify, protect, defend and hold Landlord forever harmless against and from any penalty or damages or charges imposed for any violation of any laws or ordinances, whether occasioned by the act or neglect of Tenant or those holding under Tenant, and that Tenant shall at all times protect, indemnify, defend and hold Landlord and its officers, directors, shareholders, partners and beneficiaries harmless against and from any and all claims, including workmen's compensation claims, losses, costs, damages or expenses arising out of or from or relating to any occurrence on or about the Premises causing injury to any person or damage to property whomsoever or whatsoever; and shall protect, indemnify, defend and hold all of them harmless against and from any and all claims and against and from any and all losses, costs, damages and expenses arising out of any failure of Tenant in any respect to comply with or perform all the requirements and provisions hereof, and Tenant shall defend at its expense any such claims against said persons and entities.

9. Non-Liability of Landlord. Landlord shall be not liable for any damage occasioned by failure to keep the Premises in repair, nor for any damage done or occasioned by or from plumbing, gas, water, sprinkler, steam or other pipes or sewerage or the bursting, leaking or running of any pipes, tank or plumbing fixtures, in, above, upon or about Premises or any building or improvement thereon, nor for any damage occasioned by water or ice being upon or coming through the roof, skylights, trap doors or otherwise, nor for any damages arising from act or neglect of any owners or occupants of adjacent or contiguous property.

10. Taxes, Utilities and Operating Expenses.

(a) Tenant shall contract for and pay to either Landlord on demand or the governmental entities and utility companies directly, in addition to the Base Rent above specified, all real estate taxes and assessments of every kind and nature whatsoever, water rents, gas, electric, light and power bills taxed, consumed by Tenant or levied or charged against the Premises during the Term of this Lease; and shall pay for any and all expenses incurred in connection with the replacement, repair, maintenance, ownership, operation and leasing of the Premises by Landlord, and in the event said real estate taxes and assessments, water rents and bills for gas, electric, light and power and such other costs and expenses shall not be paid when due, Landlord shall have the right, but not the obligation, to

pay the same, which amounts so paid, together with any sums paid by Landlord to keep the Premises in a clean and healthy condition as required hereby, shall be so much additional Base Rent and shall be payable with the installment of Monthly Base Rent next due thereafter.

(b) Tenant shall pay to Landlord, or reimburse Landlord for, specific or general taxes or excises on rents or other income from the Premises and specific or general gross receipts taxes or excises on rents or other income from the Premises.

(c) Tenant acknowledges and agrees that this Lease is intended to be a so-called "net lease" in that it is to be completely carefree to Landlord, except as expressly stated otherwise herein; and that Landlord is not responsible during the Term for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the Premises, or the use or occupancy thereof, or the contents thereof, or the business carried on therein; and furthermore, Tenant shall pay all charges, expenses, costs, and outlays of every nature and kind relating to the Premises, except as otherwise expressly stated in this Lease.

11. Access to Premises. Tenant shall allow Landlord access to the Premises at all times for the purpose of examining or exhibiting the same, or to make any repairs Landlord so elects or alterations thereto which Landlord may see fit to make.

12. Holding Over. Tenant shall, at the expiration or sooner termination of this Lease by lapse of time or otherwise, yield up immediate possession of the Premises to Landlord, and failing to do so, shall pay as liquidated damages for the whole time such possession is withheld, the sum of _____ dollars ($___.__) per day; provided, however, the provisions of this paragraph shall not be held as a waiver by Landlord of any right of re-entry as hereinafter set forth; nor shall the receipt of said rent or any part thereof, or any other act in apparent affirmance of tenancy, operate as a waiver of the right to terminate this Lease and the Term hereby granted for the period still unexpired for a breach of any of the covenants contained herein.

13. Fire and Casualty. In the event the Premises or any part thereof shall be rendered untenantable during any portion of the Term of this Lease by fire or other casualty, Landlord, at its option, may terminate this Lease or require Tenant, at is cost and expense, to repair the same within 180 days thereafter. If Tenant is required to repair the Premises, this Lease shall remain in effect, provided such repairs are completed within said time. If Tenant shall not repair the Premises within said time, then at the end of such time, the Term hereby created shall terminate. If this Lease is terminated by reason of fire or other casualty as herein specified, Base Rent shall be apportioned and paid to the date of such fire or other casualty.

14. Signs. Tenant may affix and maintain only such signs as shall have first received the written approval of Landlord as to type, color, location, copy nature and display qualities. Said approval shall not be unreasonably withheld by Landlord. Tenant may place signs on or about the Premises and may remove the same; provided, however, that Tenant receives any required governmental approvals therefor and the placement of such signs shall in no way impair or damage any structure of the Premises. All signs shall be removed by Tenant, without damage to the Premises, and at its cost, upon the expiration of the Term or the termination of this Lease. Tenant shall comply with all codes, zoning and other applicable ordinances and all other laws and regulations with respect to the size, placement and appearance of such signs prior to the installation thereof.

15. Repairs. Landlord shall have no obligation to perform any repairs or replacements to or of the Premises or to incur any expense for replacing or repairing any improvements on or comprising the Premises. Tenant shall keep the Premises, including all improvements, fixtures and appurtenances thereon and therein, in good repair, replacing all broken glass with glass of the same size and quality as that broken, and will replace all damaged equipment and fixtures with others of equal quality, and shall keep the Premises, including adjoining alleys, if any, in a clean and healthful condition and in compliance with all conditions, covenants and restrictions affecting the Premises and all applicable municipal zoning codes and ordinances, governmental regulations and laws, all at Tenant's sole cost and expense. Upon the expiration of the Term or sooner termination of this Lease, Tenant shall yield up the Premises to

Landlord in good condition and repair, loss by ordinary wear excepted, and shall deliver the keys therefor at the place of payment of Monthly Base Rent. Tenant hereby assumes the full and sole responsibility for all repairs to, and for any condition, operation, maintenance and management of, the Premises as of the date hereof and throughout the Term of this Lease. If Tenant does not make repairs as required hereunder promptly and adequately, Landlord may, but is not obligated to, make such repairs and pay the costs thereof, and such costs shall be so much additional Base Rent immediately due from and payable by Tenant to Landlord upon demand therefor.

16. Environmental Concerns.

(a) "Environmental Laws" means all of the following: the Comprehensive Environmental Response, Compensation, and Liability Act, 42 USC Section 9601 et seq.; the Resource Conservation and Recovery Act, 42 USC Section 6941 et seq.; the Toxic Substances Control Act, 15 USC Section 2601 et seq.; the Safe Drinking Water Act, 42 USC Section 3001 et seq.; the Clean Water Act, 33 USC Section 1251 et seq.; the Clean Air Act, 42 USC Section 7401, et seq.; the Arizona Hazardous Waste Management Act, A.R.S. Section 49-921 et seq.; the Arizona Environmental Quality Act, Laws 1986, Ch. 368; Laws 1987, Ch. 317; A.R.S. Section 49-1001 et seq.; and all regulations thereunder; and all other laws and regulations now in effect or hereinafter enacted which deal with or relate to the regulation or protection of the environment, including the ambient air, ground water, surface water, and land use, including sub-strata land.

(b) Tenant shall, at Tenant's own expense, comply with all present and hereinafter enacted Environmental Laws, and any amendments thereto, affecting Tenant's use or occupancy of the Premises or any operation of the Tenant thereon or therefor.

(c) Tenant shall immediately notify Landlord of any of the following:

(i) Receipt of any correspondence or any other communication from any governmental entity regarding the application of any Environmental Laws to the Premises or Tenant's use or occupancy of or operation on the Premises.

(ii) Any change in Tenant's operation on the Premises which will change or has the potential to change Tenant's or Landlord's obligations or liabilities under any of the Environmental Laws.

(d) Tenant shall indemnify, protect, defend and hold Landlord, its employees and agents and their successors and assigns harmless from and against any and all losses, damages, and expenses (including, but not limited to, reasonable investigation and legal fees and expenses) including, but not limited to, any claim or action for injury, liability, or damage to persons or property, and any and all claims or actions brought by any person, firm, governmental body or other entity alleging or resulting or arising from or in connection with contamination of or adverse effects on the environment, or violation of any Environmental Law or other statute, ordinance, rule, regulation, judgment or order of any government or judicial entity, and from and against any damages, liabilities, costs and penalties assessed as a result of any activity or operation on the Premises during the Term of this Lease. Tenant's obligations and liabilities under this section shall continue as long as Landlord bears any liability or responsibility under the Environmental Laws for any action which occurred on the Premises during the Term of this Lease. Tenant's failure to abide by the terms of this paragraph shall be restrainable by injunction. The obligations set forth in this provision shall survive the expiration or sooner termination of this Lease.

17. Insurance.

(a) Tenant covenants and agrees that it shall at all times during the Term of the Lease, at its own cost and expense, carry and maintain general liability insurance, including contractual liability insurance, and property damage insurance for personal injury, death or property damage, or destruction of property, occurring in, on or about the Premises with limits not less than one million dollars ($1,000,000.00) per occurrence or in such greater amounts as Landlord may reasonably require from

time to time. Tenant shall also carry workmen's compensation insurance as required by law and such other insurance in such amounts as Landlord may require from time to time.

(b) Tenant, at its expense, shall at all times during the Term of this Lease keep the Premises and contents insured against loss by fire or any other casualty, with extended coverage, for 100% of the full replacement cost therefor, and vandalism and malicious mischief coverage, and shall keep all such insurance in full force and effect during the entire Term of this Lease.

(c) The foregoing insurance shall be in companies authorized to do business in the State of _____ and in form, substance and amount (where not stated above) satisfactory to Landlord and any mortgagee or beneficiary of Landlord. The foregoing insurance shall specify Landlord, its successors, mortgagee, trustee, beneficiary and assigns as additional insureds or payment of loss thereunder to Landlord, its successors, mortgagee, trustee, beneficiary or assigns. Policies or certificates evidencing such insurance shall be delivered to Landlord within thirty (30) days after the execution of this Lease, and renewals thereof shall be delivered to the Landlord at least thirty (30) days prior to the expiration dates of the respective policies. In the event Landlord at any time shall cause a mortgage or deed of trust to be placed against the Premises, Landlord shall be entitled to have all appropriate insurance policies called for in this Lease endorsed with a standard mortgagee loss payable clause, making losses, if any, payable to the mortgagee or trustee or beneficiary as their interests may appear. Each of said policies shall provide that Landlord be provided with thirty (30) days advance notice of intent to cancel the same.

(d) In the event Tenant shall at any time fail, neglect or refuse to procure insurance required hereunder or pay the premium costs as hereinbefore provided therefor, or to provide Landlord upon demand with evidence of insurance as required herein, then Landlord may at its discretion procure or renew such insurance, and any amounts paid therefor by Landlord shall be so much additional rent due from Tenant to Landlord to be paid along with the next installment of Monthly Base Rent hereunder, with interest at the rate of twelve percent (12%) per annum from the date of payment thereof by Landlord until the repayment thereof to Landlord by Tenant.

(e) Notwithstanding the foregoing, Landlord may during the Term of this Lease keep the improvements of the Premises insured against loss by fire or any other casualty with such extended coverage and in such amounts as Landlord may deem necessary from time to time. In such event, Tenant shall pay Landlord upon demand the annual premium costs for such insurance.

18. Security Deposit. Tenant hereby deposits with Landlord the sum of _____Dollars ($ .00) to insure the faithful performance of all of the covenants, terms, conditions and undertakings herein contained to be performed or observed by Tenant, and said security deposit or the balance thereof shall be returned to Tenant not more than sixty (60) days following the termination of this Lease; provided that Tenant has so performed or observed all of said covenants, terms, conditions and undertakings herein, provided, however, that the above sum shall not be construed as liquidated damages. In the event Landlord spends any part of said deposit, upon demand by Landlord, Tenant shall deposit an additional sum equal to the amounts so spent by Landlord so that said deposit shall at all times be in an amount not less than _____ Dollars ($ .00).

19. Assignment or Subletting. Tenant shall not transfer, convey, assign, encumber or hypothecate any interest in this Lease or in the Premises or sublease all or any part thereof, or allow any other person or entity to occupy or use all or any part of the Premises without first obtaining Landlord's prior written consent, which may be withheld by Landlord in its sole discretion. Any transfer or a series of transactions resulting in the transfer of control of Tenant, other than by reason of death, shall be deemed to be an assignment and transfer of Tenant's interest under this Lease for purposes of this Section 19. The term "control", as used herein shall mean the power to directly or indirectly direct, or cause a direction of, the management and policies of Tenant.

20. Condemnation.

(a) If the whole of the Premises shall be taken or condemned for a public or quasi-public use or purpose by a competent authority, or if a portion of the Premises shall be so taken that as a result thereof the balance of either cannot be used for the same purpose and with substantially the same utility to Tenant as immediately prior to such taking, or if the taking is material and substantial and Landlord elects to terminate this Lease (Landlord is hereby given such right to terminate), which election shall be made by giving written notice thereof to Tenant within thirty (30) days after delivery of possession to the condemning authority, then in any of such events, the Term of this Lease shall terminate upon delivery of possession to the condemning authority, and any award, compensation or damages (hereinafter referred to as the "Award") shall be paid to and be the sole property of Landlord, whether the Award shall be made as compensation for diminution of the value of the leasehold estate or the fee of the Premises or otherwise; and Tenant hereby assigns to Landlord all of Tenant's right, title and interest, if any, in and to the Award. Tenant shall continue to pay rents and other charges hereunder until the Lease is terminated and any impositions and insurance premiums prepaid by Tenant or any unpaid impositions or other rents and charges which accrue prior to the termination, shall be adjusted between the parties hereto.

(b) If only a part of the Premises shall be so taken or condemned and this Lease is not terminated as provided above, Tenant, at its sole cost and expense, shall repair and restore the Premises. There shall be no abatement or reduction in any rents because of any such taking or condemnation. Tenant shall promptly and diligently proceed to make a complete architectural unit of the remainder of the Premises, complying with all laws, ordinances and codes. For such purpose, and provided Tenant is not then in default hereunder, the amount of the Award shall be deposited in an escrow account which shall disburse the Award to apply to the cost of said repair or restoration. If Tenant does not make a complete architectural unit of the remainder of the Premises within a reasonable period after taking or condemnation, not to exceed one hundred eighty (180) days, then, in addition to whatever other remedies Landlord may have either under this Lease, at law or in equity, the portion of the Award then remaining in escrow shall, at Landlord's election, be paid to and retained by Landlord, as liquidated damages resulting from failure of Tenant to comply with the provisions of this section. Any portion of the Award not expended for such repair or restoration shall be paid to Landlord.

21. Default.

(a) The following events are hereby defined as "Events of Default":

(i) The failure of Tenant to pay an installment of rent or to make any other payments or deposits of money as required hereunder when due; or

(ii) The failure of Tenant to perform or observe any of the other covenants, conditions and agreements of this Lease on the part of Tenant to be performed or observed, and the continuance of such failure for a period of twenty (20) days after notice in writing thereof (which notice shall specify the respect in which Landlord contends that Tenant has failed to perform or observe any of such covenants, conditions and agreements) from Landlord to Tenant; or

(iii) (w) The filing of an application by Tenant for, or a consent to, the appointment of a receiver, trustee or liquidator of itself or of all its assets; or

(x) The filing by Tenant of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing its inability to pay its debts as they come due; or

(y) The making by Tenant of a general assignment for the benefit of creditors; or

(z) The filing by Tenant of an answer admitting the material allegations of, or its consenting to, or defaulting in answering a petition against it in any bankruptcy proceeding; or

(iv) The entry of an order, judgment or decree by any court of competent jurisdiction adjudicating Tenant a bankrupt, or appointing a receiver, trustee, or liquidator of it or all of its assets; or

(v) The abandonment or vacation of the Premises by Tenant or the failure of Tenant to carry on its business at the Premises for a period of three (3) consecutive days.

(b) Landlord may treat any one or more Events of Default defined above as a breach of this Lease and thereupon, at its option, Landlord may have and exercise, in addition to all other remedies provided by law or in equity, any one or more of the following remedies:

(i) Landlord may terminate this Lease and the Term created hereby in which event Landlord may forthwith repossess the Premises and be entitled to recover forthwith as damages a sum of money equal to the value of the rent and other sums provided to be paid by Tenant due and owing prior to the date of such termination, and any other sum of money and damages due or to become due to Landlord from Tenant; or

(ii) Landlord may terminate Tenant's right of possession only and may repossess the Premises by forcible entry and detainer suit, or otherwise, without demand or notice of any kind to Tenant (except as hereinabove expressly provided) and without terminating this Lease, in which event Landlord may, but shall be under no obligation so to do, relet all or any part of the Premises for such rent and upon such terms as shall be satisfactory to Landlord (including the right to relet the Premises for a term greater or lesser than that remaining under the Term of this Lease and the right to relet the Premises as a part of a larger area and the right to change the character or use made of the Premises). For the purpose of such reletting, Landlord may make such repairs, changes, alterations or additions in or to the Premises which may be necessary or convenient. If Landlord shall fail or refuse to relet the Premises, then Tenant shall pay to Landlord as damages a sum equal to the amount of the rent reserved in this Lease for such period or periods. If the Premises are relet and a sufficient sum shall not be realized from such reletting after paying all of the costs and expenses of repairs, changes, alterations and additions and the expense of such reletting, and the collection of the rent accruing therefrom, to satisfy the rents and other charges above provided to be paid, Tenant shall satisfy and pay any such deficiency upon demand therefor from time to time; and Tenant agrees that Landlord may file suit to recover any sums falling due under the terms of this paragraph and any other sums due under this Lease from time to time, and that any suit or recovery of any portion due Landlord hereunder shall be no defense to any subsequent action brought for any amount not theretofore reduced to judgment in favor of Landlord.

(c) Each right, power and remedy of Landlord provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right, power or remedy now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or commencement of the exercise by Landlord of any one or more of the rights, powers or remedies provided for in this Lease or now or hereafter existing at law or in equity, or by statute or otherwise, shall not preclude the simultaneous or later exercise by Landlord of any or all such other rights, powers or remedies.

22. Subordination. This Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien of any mortgage or deed of trust constituting a first lien on the Premises, or any part thereof, and to any and all renewals, modification, consolidations or extensions thereof. Tenant shall upon demand at any time or times execute, acknowledge and deliver to Landlord any and all instruments which may be necessary or required by Landlord to subordinate this Lease and all rights of Tenant hereunder to the lien of any such mortgage or deed of trust. Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's attorney-in-fact to execute any such subordination agreement or agreements for and on behalf of Tenant in the event Tenant fails to furnish Landlord within ten (10) days of said demand said instrument as aforesaid.

23. Notices. Notices and demands required or desired to be given hereunder shall be given by personal delivery or be sent by certified mail, postage prepaid, return receipt requested, addressed, if to Landlord, at the address at which the last rental payment was made or required to be made, and if to Tenant, addressed to Tenant at the Premises, or such other address as was last specified respectively by notice by Landlord or Tenant. Notices and demands shall be deemed to have been given when mailed or, if made by personal delivery, then upon such delivery.

24. Estoppel Certificate by Tenant. Tenant agrees at any time and from time to time, upon not less than five (5) days prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and that no default exists hereunder (except as shall be specified and which are known to Tenant), and also certifying the dates to which the rents and other charges have been paid in advance, if any; it being intended that any such statement delivered pursuant to this section may be relied upon by any prospective purchaser of the fee or a mortgagee, trustee, beneficiary or assignee of the Premises.

25. Joint and Several Obligation. In the event more than one party or person is the "Tenant" under this Lease, the obligation to pay rent and perform and observe all of the other covenants, conditions and provisions of this Lease shall be deemed to be the joint and several obligation of all of said parties.

26. Captions and Headings. The captions and headings throughout this Lease are for convenience and reference only, and shall in no way be held or deemed to define, limit or construe any of the provisions of this Lease.

27. Entire Agreement. This Lease supersedes any and all agreements between the parties hereto regarding the Premises and sets forth the entire agreement between the parties hereto with respect to the same and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, successors and assigns.

28. Amendments. None of the provisions of this Lease shall in any manner be altered, waived, modified, changed or abandoned except by a written instrument executed by each of the parties hereto.

29. No Rent Deduction or Set Off. Tenant's covenant to pay Base Rent is and shall be independent of each and every other covenant of this Lease. Tenant agrees that any claim by Tenant against Landlord shall not be deducted from Base Rent nor set off against any claim for Base Rent in any action.

30. Rent After Notice or Suit. It is further agreed by the parties hereto that after the service of notice, or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, suit, or judgment.

31. Plurals; Successors. The words "Landlord" and "Tenant" wherever herein used shall be construed to mean "Landlords" and "Tenants" in the event more than one person or entity constitutes either party to this Lease; and all the covenants and agreements contained herein shall be binding upon, and inure to the benefit of, their respective successors, heirs, executors, administrators and assigns. In

the event Landlord or any successor owner of the Premises or the Project shall convey or otherwise dispose of all or any portion thereof to another person or entity, such other person or entity shall in its own name thereupon be and become the "Landlord" hereunder and shall assume fully and be liable for all liabilities and obligations of this Lease to be performed by Landlord that first arise after the date of conveyance, and such original Landlord or successor owner shall, from and after the date of conveyance, be free of all liabilities and obligations not then incurred.

32. Landlord's Lien. Landlord shall have a first lien upon any and all rents from permitted subtenants or assignees of Tenant, if any, upon the interest of Tenant under this Lease, and upon all personal property and fixtures of Tenant located in or upon the Premises, to secure the payment of all rent and other obligations due under this Lease.

33. Rules and Regulations. Tenant shall observe all rules and regulations promulgated by Landlord from time to time, and all changes thereto upon notice thereof.

34. Landlord's Expenses. Tenant shall pay on demand Landlord's expenses, including reasonable attorney's fees, expenses and administrative hearing and court costs incurred either directly or indirectly in enforcing any obligation of Tenant under this Lease, in curing any default by Tenant hereunder, in connection with appearing, defending or otherwise participating in any action or proceeding arising from the filing, imposition, contesting, discharging or satisfaction of any lien or claim for lien, in defending or otherwise participating in any legal proceedings initiated by or on behalf of Tenant wherein Landlord is not adjudicated to be in default under this Lease, or in connection with any investigation or review of any conditions or documents in the event Tenant requests Landlord's approval or consent to any action of Tenant which may be desired by Tenant or required of Tenant hereunder.

35. Governing Law. The laws of the State of Arizona shall govern and control the validity, construction, performance and enforcement of this Lease.

36. Severability. Wherever possible each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law. In the event any provision of this Lease shall be prohibited by or held invalid or unenforceable under applicable law, such provision shall be ineffective to the extent of such prohibition, invalidity or unenforceability, without affecting the remainder of such provision or the remaining provisions of this Lease.

37. Official Notice. Tenant shall promptly deliver to Landlord copies of any and all notices received from any governmental authority or agency relating to or affecting the Premises.

"LANDLORD"	**"TENANT"**
_____	_____
By: _____	By: _____
Title: _____	Title: _____

PERSONAL GUARANTEE

*FOR A VALUABLE CONSIDERA*TION, the receipt and sufficiency of which is hereby acknowledged, including, but not limited to, the execution and delivery of the foregoing Lease by_____ _____ (hereinafter "Tenant") and _____ (hereinafter "Landlord") the undersigned individual/individuals ("Guarantors") do hereby jointly and severally, each for himself or herself individually, for his or her individual estate and jointly with his or her respective spouse for their respective communities, and for any other community involved herein, guarantee the faithful and complete performance of the foregoing Lease. This Guarantee shall be in full force and effect from date of Lease execution through the term of the Lease and any extensions thereof, when this personal guarantee shall expire. The undersigned further guarantee that all acts required to be performed by the Tenant under the terms of Lease shall be performed within the times required for the performance of such acts and the payment of all amounts due to the Landlord from the Tenant including all rents, CAM Expense and any other amounts that may become due and owing to the Landlord from the Tenant.

The undersigned hereby expressly agree that the validity of this Guarantee and the obligation of the undersigned hereunder shall in no way be terminated, affected or impaired by reason of any assertion of Landlord, its successors or assigns, or Landlord's failure to enforce any of the terms, covenants or conditions of the Lease or this Guarantee, or the granting of any indulgence or extension of time to Tenant, all of which may be given or done without notice to the undersigned.

The Guarantors shall be given written notice of any default in the payment of rent, additional rent or any other amounts contained or reserved in the Lease or of any material breach or nonperformance of any of the covenants, conditions or agreements contained in the Lease, and shall have fifteen (15) days from receipt of said notice to correct or cure said default.

The undersigned further agrees that its liability under this Guarantee shall be primary, and that in any right of action which may accrue to Landlord, its successors or assigns, under the Lease or this Guarantee, Landlord, its successors or assigns, at its option may proceed against the undersigned without having taken or commenced any action or obtained any judgment against Tenant. A discharge in bankruptcy of the Tenant by a Bankruptcy Court that is "full satisfaction" (or words to such effect) of the Lease obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of Guarantors and Landlord may pursue Guarantors for the entire amount due and owing Landlord regardless of the discharge.

The undersigned specifically guarantee the payment of all damages, costs, expenses, attorneys' fees, and rents for which the Tenant under the Lease shall become liable by reason of the provisions of the Lease and the laws of the State of Arizona.

The undersigned do hereby each individually for themselves and jointly with their community spouse (if any) waive the necessity of demand upon the Tenant for performance of the provisions of the Lease and do hereby consent that demand may be made upon each individually, or jointly with any other Guarantor for the performance of any and all acts under the Lease including the payment of rents and any other amounts due. No notice need be given to the Tenant that demand is being made on the undersigned Guarantor(s) and each undersigned Guarantor individually does hereby waive notice to any other Guarantor before a claim may be made against any individual Guarantor or the community Guarantors guaranteeing the performance of the Lease.

IN WITNESS WHEREOF we have set our hands the date and year set forth in the acknowledgments hereto.

Signature of Guarantor	Signature of Spouse
Address	Address

Phone	SSN#	Phone	SSN#

STATE OF _____)
) ss. ACKNOWLEDGEMENT
COUNTY OF _____)

The foregoing instrument, namely that certain PERSONAL GUARANTEE, dated _____, 20__, consisting of two (2) pages including this one, was acknowledged before me this _____ day of _____, 20__, by _____ and _____.

(Seal and Expiration Date)

_____
Notary Public

SHOPPING CENTER LEASE

BETWEEN

_____

AND

_____

TABLE OF CONTENTS

Section	Title	Page
1.	Basic Lease Terms	2
2.	Premises	4
3.	Term	4
4.	Rent	4
5.	Use of Premises and Project Facilities	8
6.	Signs and Advertising	8
7.	Merchant's Association and Promotion	9
8.	Personal Property Taxes	9
9.	Common Facilities	9
10.	Utilities	10
11.	Maintenance	10
12.	Alterations, Changes and Additions	10
13.	Release and Indemnity	11
14.	Insurance	11
15.	Destruction	13
16.	Condemnation	13
17.	Assignment or Sublease	14
18.	Default	15
19.	Entry on Premises	17
20.	Subordination	17

21.	Estoppel Certificates	17
22.	Notice	17
23.	Waiver	17
24.	Surrender of Premises; Holding Over	18
25.	Default of Landlord; Limitation of Liability	18
26.	Landlord's Rules and Regulations	18
27.	Parking	19
28.	Miscellaneous Provisions	19
29.	Signature Page	22

Exhibits

A	Description of Premises
B	Description of Project
C	Landlord's Rules and Regulations
D	Sign Criteria
E	Landlord's Work/Tenant's Work
F	Satellite Dish/Antenna Installation
G	Lease Renewal Option
H	Personal Guarantee

SHOPPING CENTER LEASE

1. BASIC LEASE TERMS

Section 1 represents a summary of the basic terms of this Lease. In the event of any inconsistency between the terms contained in Section 1 and any specific clause of this Lease, the terms of the more specific clause shall prevail.

a. DATE OF LEASE: _____, 20___.

b. TENANT: _____

Trade Name: _____

Address ("Premises"): _____

Building/Unit: _____

Address (For notices): _____

_____

_____

_____

Tax ID #: _____

Phone/Fax Number: _____.

c. LANDLORD: _____

Address (For notices/rent): _____

_____

_____

Property Management: c/o Prime Commercial Real Estate, L.L.C.
6179 E. Broadway Blvd.
Tucson, AZ 85711
Cama Egan (520) 906-9000
(520) 790-9364 fax

d. PROJECT:_____.

e. TENANT'S USE OF PREMISES: Tenant shall use the property for a Brake Masters auto service facility and no other uses are permitted without Landlord's written consent. See Section 5 for other restrictions .

f. PREMISES AREA:_____ Rentable Square Feet

g. PROJECT AREA:_____ Rentable Square Feet

h. PREMISES PERCENT OF PROJECT:_____ percent ("Tenant's Prorata Share") has been determined by dividing the Premises Area by the Project Area. See Section 4. for conditions and exceptions related to Tenant's Pro Rata Share.

i. TERM OF LEASE:

(1) Date of Delivery of Possession: _____.

(2) Tenant's Fixturization Period: _____.

(3) Rent Commencement Date: _____, 20__.

(4) Lease Expiration Date: _____.

j. RENT: Starting Base Monthly Rent of $ .00 per square foot ("psf") _____.

(1) Percentage for Percentage Rent: None

k. RENT ADJUSTMENT:

LEASE YEAR	BASE MONTHLY RENT
1	$ psf + CAM and rental tax (if any)
2	$ psf + CAM and rental tax (if any)
3	$ psf + CAM and rental tax (if any)

l. TENANT'S INITIAL MONTHLY SHARE OF CAM EXPENSES: $ psf/12 months.

m. PREPAID RENT OF: $ representing the first month's rent/CAM/rental tax payable at lease execution.

n. SECURITY DEPOSIT: $ payable at lease execution.

o. EXTENSION/RENEWAL OPTION: ( ) renewal option for ( ) additional years. See Exhibit G for rent and other terms and conditions.

p. BROKER(S) FIRM: represents the Landlord exclusively. Tenant is representing its own interests.

AGENT(S): for Landlord.
for Tenant.

q. LEASING COMMISSION PAYABLE BY: Commissions are paid by Landlord only, subject to its standard commission schedule.

r. PERSONAL GUARANTEE: Yes; See Exhibit H.

s. **CONTROLLING RIGHTS OF BRAKE MASTERS SYSTEMS, INC. AS FRANCHISOR:** See Section 29 of this Lease.

t. EXHIBITS: Exhibits lettered A through H are attached hereto and incorporated herein by reference.

The foregoing Basic Lease Terms are a part of the Lease. Each reference in the Lease to any of the Basic Lease Terms shall mean the respective information set forth above. Tenant and Landlord acknowledge that each has read and understands all of the provisions contained in the entire Lease and all Exhibits which are a part thereof, and agree that the Lease, including the Basic Lease Terms and all Exhibits, reflects the entire understanding and reasonable expectations of Tenant and Landlord regarding the Premises.

_____ _____

Tenant's Initials Landlord's Initials

2. PREMISES.

a. Description of Premises. Landlord hereby leases to Tenant and Tenant leases from Landlord those premises described in Section 1.b., and in Exhibit A (the "Premises"), located in the Project described in Section 1.d. and Exhibit B (the "Project"). It is understood and agreed that the Premises Area described in Section 1.f. and the Project Area described in Section 1.g. are approximations which Landlord and Tenant agree are reasonable and shall not be subject to revision except in connection with an actual change in the size of the Premises or a change in the space owned by Landlord and available for lease in the Project. Except as expressly provided for in this Lease and its Exhibits, Landlord has not agreed to install any improvements on the Premises or do any other work to ready the Premises for occupancy by Tenant. The exterior walls and roof of the Premises and the area above and beneath the Premises are not leased, and the use thereof, together with the right to install and maintain mechanical, structural and other necessary items, both vertically and horizontally, leading through the Premises in locations which will not interfere with Tenant's use thereof and serving other parts of the Project, are reserved to Landlord.

b. Landlord's Work. Landlord shall deliver the Premises to Tenant on the date of execution of this Lease in its "AS IS" condition, except for the Landlord warranties in Section 11.a. below and the description of Landlord's Work set forth in Exhibit "E". By entry on the Premises, Tenant acknowledges that it has examined the Premises and accepts the Premises in its then current condition, *subject to exhibit "E" if applicable* except for any latent defects unknown to Tenant at that time. Landlord warrants that the existing heating and HVAC equipment, walls, ceiling, mechanical systems, electrical systems and plumbing are or will be in good working order and comply with applicable building codes *upon Landlord's tender of premises*.

3. TERM. The Term of this Lease shall commence on the Rent Commencement Date set forth in Section 1.i.(3) and shall expire on the Lease Expiration Date set forth in Section 1.i.(4). The parties acknowledge that certain obligations under various sections hereof may commence prior to the Rent Commencement Date, i.e., construction, hold harmless, tenant insurance, etc., and the parties agree to be bound by these sections. In no event shall the expiration of this Lease be extended beyond the Lease Expiration Date unless agreed upon between Landlord and Tenant in writing.

4. RENT.

a. Base Monthly Rent. Tenant shall pay Landlord base monthly rent ("Base Monthly Rent") in the initial amount set forth in Section 1.j.(1) and 1.k. in advance on the first day of each and every calendar month beginning on the date set forth in Section 1.i.(3) (the "Rent Commencement Date").

b. Rent Adjustment. Base Monthly Rent shall increase by four percent (4%) annually as outlined in Section 1.k.

c. Common Area Maintenance Expenses Reimbursement ("CAM Expenses"). In addition to Base Monthly Rent, Tenant shall pay to Landlord Tenant's Prorata Share of CAM Expenses. Tenant's Prorata Share, as referenced in this Lease, shall mean the agreed upon proportion that Tenant's Premises bear to the total building area in the Project, as set forth in Section 1.h. This percentage is agreed upon and is irrespective of the relationship between the exact square footage of the Tenant's space to the total exact square footage of the Project, provided, however, that if any tenant(s) within the Project pay taxes directly to any taxing authority or carry their own insurance as may be provided for in their lease or pay other operating expenses directly, their square footage shall not be deemed a part of the total Project floor area for that expense category, for purposes of calculating Tenant's Prorata Share of that CAM Expense.

(1) CAM Expenses Defined. The term "CAM Expenses" shall mean all costs and expenses incurred by Landlord for the operation, administration, maintenance, taxes, management, promotion, repair and insurance of the Project and the Common Facilities (as defined in Section 9.a. hereof), building exteriors, project signs and directories, and including, without limitation, reasonable, actual and necessary costs of the following:

(a) Supplies, materials, contract labor and equipment used in the maintenance, operation and repair of the Project;

(b) Utilities, including water, electricity, gas, heating, lighting, sewer, waste disposal, security, air conditioning and ventilation for the Project;

(c) Maintenance, janitorial and security personnel and supervision for the operation, maintenance and repair of the Project, including normal benefits for such labor, seasonal decorations and common promotions and other service agreements for the Project;

(d) Legal, accounting and administrative expenses for the operation of Common Areas of the Project (excluding legal costs of negotiating, terminating or extending leases, or legal costs incurred in a proceeding against any tenant);

(e) Premiums and costs of all risk, casualty, liability and umbrella liability insurance, including boiler and machinery, rental abatement, flood, earthquake and other insurance coverages deemed necessary and actually procured by Landlord pursuant to Section 14 of this Lease.

(f) Costs for the tax consultants and appraisers used by Landlord in connection with the appeal of the annual tax value assessment of the Project;

(g) Painting, resurfacing, paving and restriping parking areas, and repairing roofs and walls and any other repairs and short lived replacements pertaining to the Project;

(h) Amortization of improvements which are to reduce Project operating costs or which are required under any governmental laws, regulations or ordinances which were not applicable to the Project at the time it was constructed.

(i) Real property taxes including, but not limited to, any form of assessment, association fee, license fee, rent tax, levy penalty or tax (other than Landlord's inheritance, income or estate taxes), imposed by any authority having the direct or indirect power to tax, including any city, county, state or federal government, or any school, agricultural, lighting, drainage or other improvement district thereof, as against any legal or equitable interest of Landlord in the Premises or in the real property of which the Premises are a part, as against Landlord's right to rent or other income therefore, or as against Landlord's business of leasing the Premises;

(j) Reasonable and customary property management costs incurred by Landlord for the professional management and administration of the Project, where such costs do not exceed four percent (4%) of the total Project's receipts.

(2) Expenses Not Subject To Recovery. CAM Expenses as defined herein shall not include the following:

(a) Depreciation of the Project;

(b) Landlord's loan payments;

(c) Real estate sales or leasing commissions;

(d) Costs incurred by Landlord to the extent that Landlord is entitled to or receives reimbursement for such costs other than through the CAM Expense reimbursements;

(e) The cost of or amortization or depreciation of capital improvements that have a useful life in excess of five (5) years for Federal Income Tax purposes. Notwithstanding the above, Landlord shall be authorized to allocate certain repairs such as preventive roof coating, parking lot seal coating and painting/landscaping upgrades over a reasonable number of years as an allocated CAM Expense;

(f) Marketing expenses used to attract tenants to the Project;

(g) Costs (including, without limitation, costs of plans, permits, licenses and inspections) incurred with respect to the installation of tenant improvements made for other tenants in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants in the Project;

(h) Legal fees arising out of disputes and negotiations with tenants in the Project;

(i) Costs incurred in providing services which are separately invoiced and charged to Tenant and/or other tenants of the Project;

(j) Janitorial services provided to areas other than the Common Facilities;

(3) Monthly Payment of CAM Expenses. Tenant shall pay to Landlord, as additional rent, Tenant's Prorata Share of the estimate of CAM Expenses, in the initial monthly amount set forth in Section 1.l., on the first day of each calendar month beginning on the Rent Commencement Date and continuing through the Term of the Lease. CAM Expenses as billed in the first year of this Lease shall be set at $_____ / month. At any time after the first 12 months of the Lease Term, Landlord may increase the estimate of CAM Expenses and require a proportionate increase in Tenant's monthly payment of CAM Expenses, if such adjustment is justified by an analysis of the Project's reimbursable CAM Expenses. As soon as practical following each calendar year (a "Prior Year"), Landlord shall prepare an accounting of actual CAM Expenses incurred during the Prior Year, and such accounting shall reflect Tenant's Prorata Share of CAM Expenses, proportionately adjusted for any partial year. After the first year of the Lease Term, if Tenant's payments under this Section 4.c.(3) during the Prior Year were less than the actual amount of Tenant's Prorata Share of CAM Expenses, Landlord shall so notify Tenant, and Tenant shall pay the amount of the deficiency to Landlord within thirty (30) days after notice. Such amount shall be deemed to have accrued during the Prior Year and shall be due and payable from Tenant, even if this Lease has terminated prior to the notice. If Tenant's CAM Expense payments, based on Landlord's estimates, were greater than the actual amount of Tenant's Prorata Share of CAM Expenses, then Landlord shall promptly notify Tenant, and such overpayment shall be immediately credited by Landlord to current CAM Expenses due under this Section 4.c.(3) (or refunded if such overpayment occurs in the final year of this Lease). In no event shall such credit be used to offset or in any way reduce the Base Monthly Rent.

(4) Optional CAM Billing Procedure. Landlord reserves the option to bill the CAM Expenses, on a monthly basis, based on the actual CAM Expenses incurred by Landlord for the prior month.

(5) Tenant Review. Tenant may periodically review Landlord's operations and/or books and records (which shall be located in the city in which the Project is located) pertaining to the CAM Expenses for the preceding calendar year at any time during business hours and after reasonable notice to Landlord. Tenant has the right, exercisable no more than once each calendar year, to cause an audit to be performed at Tenant's sole cost of Landlord's operations and/or books and records pertaining to CAM Expenses for the preceding calendar year. In the event Landlord has overstated CAM Expenses in excess of ten (10%) percent for any year, within thirty (30) days after demand by Tenant, accompanied by Tenant's verification of such overcharges, Landlord shall reimburse Tenant for all overcharges and the cost of such audit and verification as was actually incurred by Tenant. If the over charge is less than 10%, Landlord shall reimburse the overcharge, but shall not be responsible for Tenant's audit costs. As a condition precedent to Tenant's right to audit the CAM Expenses, Tenant shall have paid in full all CAM Expenses as billed by Landlord through the date of the audit request.

d. Rent Without Offset. All rent and other charges shall be paid monthly in advance on the first day of every calendar month, at the address shown in Section 1.c., or such other place as Landlord may designate in writing from time to time. All rent and other charges shall be paid without prior demand or notice and without any deduction or offset whatsoever, in lawful currency of the United State of America. Rent and

other charges due for any partial month shall be prorated. For purposes of interpreting this Lease, Base Monthly Rent and all CAM Expenses and other charges to Tenant are collectively defined as “rent”.

e. Late Charge. Late payment by Tenant of any rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs being extremely difficult and impracticable to ascertain. Such costs include, without limitation, processing and accounting charges and late charges that may be imposed on Landlord by the terms of any encumbrance on or note secured by the Premises. Therefore, if any rent or other sum due is not paid within seven (7) days after it is due, Tenant shall pay to Landlord a late charge equal to ten percent (10%) of the amount due for each overdue payment, which both parties acknowledge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any such late payment. Any payments returned for insufficient funds but for no other purpose, will be considered a late payment and subject to the late charge as provided for in this paragraph.

f. Security Deposit. Tenant has previously deposited with Landlord the amount of the security deposit set forth in Section 1.n. as security for the performance by Tenant under this Lease. The security deposit shall not be deemed or construed to be an advance payment of rent for any month of the term of this Lease nor the full measure of liquidated damage in case of default by Tenant. If Tenant is in default, Landlord may use the security deposit to cure the default or to compensate Landlord for damages sustained by Landlord resulting from Tenant's default without prejudicing Landlord's rights hereunder. Upon demand, Tenant shall immediately pay to Landlord an amount sufficient to restore the security deposit to its original amount. If Tenant is not in default at the termination of this Lease, Landlord shall return the unused portion of the security deposit, no later than thirty (30) days after the expiration of the term of this Lease, the vacating and surrender of the Premises, and the repair and restoration of the Premises by Landlord (if Tenant fails to comply with its obligation to repair and restore hereunder). Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest on said deposit.

5. USE OF PREMISES AND PROJECT FACILITIES.

a. Non-Exclusive Use. Tenant shall use the Premises solely for the purposes set forth in Section 1.e. and for no other purpose. Tenant covenants and agrees that it will not use or suffer or permit any person or persons to use the Premises or any part thereof for conducting therein an auction, distress, fire or bankruptcy sale. Neither Landlord nor any agent of Landlord has made any representation or warranty respecting the suitability of the Premises or the Project for the conduct of Tenant's business, nor has Landlord agreed to undertake any alteration or improvement to the Premises or the Project, except as provided in this Lease and its Exhibits. Landlord may from time to time, in its discretion, make such alterations, deletions or improvements to the Project as Landlord may deem necessary or desirable, without compensation or notice to Tenant, provided however that such alterations, additions or improvements shall in no material way effect Tenant's use of the Premises, materially impair visibility to the Premises, or significantly impede access to the Premises. Tenant shall promptly comply with and be responsible for its agents and employees complying with all laws, orders and regulations affecting the Premises and the Project, including without limitation the Americans with Disabilities Act (but expressly excluding structural alterations) and the Rules and Regulations attached to this Lease as Exhibit C and any reasonable modifications to these Rules and Regulations as Landlord may adopt from time to time. Tenant shall not do or permit anything to be done in or about the Premises or Project or bring or keep anything in the Premises that will increase the premiums paid by Landlord on its insurance related to the Project or which will increase the premiums for fire or casualty insurance carried by other tenants within the Project. Tenant will not perform any act or carry on any practice that materially endangers the Premises or the Project; that is a material, actionable nuisance or menace to other tenants in the Project; or that shall materially interfere with the quiet enjoyment of other tenants, or their exclusive uses. The exclusive uses granted to other tenants are available in the Landlord’s offices.

b. Hours of Operation. Except while the Premises are un-tenantable by reason of fire or other casualty, Tenant shall be open for business and operate in the Premises during the entire Term and shall keep hours of operation consistent with good business practice for similar businesses operating in the city and state where the Premises are located. Tenant shall conduct its business at all times in a first class and

reputable manner, maintaining at all times of full staff of employees and a full and complete stock of merchandise.

c. Environmental Regulations. Tenant shall be responsible for compliance with all applicable environmental laws, regulations or requirements concerning Tenant's operation on the Premises, and Tenant shall indemnify, defend and hold Landlord harmless from any loss or damage which Landlord may incur due to any non compliance by Tenant, including, without limitation, the cost for site evaluation, cleanup, attorneys' fees and court costs.

6. SIGNS AND ADVERTISING.

a. Sign Criteria. Tenant shall affix a sign or signs (restricted solely to Tenant's trade name), to the storefront of the Premises or such other location as specified by Landlord's Sign Criteria attached as Exhibit D hereto. Any sign erected or maintained in violation hereof may be removed by Landlord at Tenant's expense. No symbol, design, name, marks, or insignia adopted by Landlord for the Project shall be used without the prior written approval of Landlord, such approval not to be unreasonably withheld, conditioned or delayed. Without Landlord's prior written approval, Tenant shall not display or sell merchandise, solicit business or distribute any advertising material in the parking lot or other Common Facilities or materially obstruct any area outside the Premises.

b. Project Name. Tenant may use the name of the Project as its advertised business address and for no other purpose, and Tenant shall not acquire any property right in any name which contains such name of the Project as a part thereof. Tenant shall not use the name of the Project or any such word combination, either after the termination of this Lease or at any other location.

7. MERCHANTS ASSOCIATION AND PROMOTION. Intentionally deleted.

8. PERSONAL PROPERTY TAXES. Tenant shall pay before delinquency all taxes, assessments, license fees and public charges imposed upon its business operations as well as upon all trade fixtures, leasehold improvements, merchandise and other personal property owned by Tenant in or about the Premises.

9. COMMON FACILITIES.

a. Operation and Maintenance of Common Facilities. During the Term of this Lease, Landlord shall operate and maintain in such manner as Landlord shall deem reasonably appropriate (which operation and maintenance shall be in the best interest of all tenants and comparable to the operation and maintenance of other similar retail centers in the city and state where the Premises are located) all areas within the exterior boundaries of the Project which are not now or hereafter held for exclusive use by persons entitled to occupy space in the Project, including without limitation, parking areas, driveways, truckways, delivery passages, loading docks, sidewalks, ramps, open and enclosed courts and malls, landscaped and planted areas, exterior roof membrane, exterior stairways, pedestrian passageways, elevators, bus stops, exterior building walls, restrooms not located within the premises of any tenant, entrances and exits, and other areas and improvements provided by Landlord for the common use of Landlord and tenants and their respective employees and invitees (the "Common Facilities"). The reasonable, necessary and actual costs of such operation and maintenance shall be considered CAM Expenses for purposes of Section 4.c. If Tenant or any employee, agent or contractor of Tenant causes any penetration of the roof for any reason not permitted under the Lease, Tenant shall reimburse Landlord for the cost of any repair or any damages to the roof caused by such penetration. Landlord may make changes at any time and from time to time in the size, shape, location, number, and extent of the Common Facilities or any of them, provided that such changes shall not materially adversely affect Tenant's use of the Premises, materially impede access to the Premises, or materially impair the visibility of the Premises.

b. Nonexclusivity. The use and occupancy by Tenant of the Premises shall include the use of the Common Facilities in common with Landlord and with all others for whose convenience and use the Common Facilities are provided, subject, however, to the Rules and Regulations set forth in Exhibit C;

Landlord may temporarily close any Common Facility for repairs or alteration or for a period of time no longer than that which is required to prevent a dedication thereof or the accrual of prescriptive rights therein. Landlord shall use reasonable care and make reasonable efforts to avoid or minimize the impact of any such closure on the business of Tenant. In the event that access to the Premises is denied to Tenant by Landlord for more that 24 hours, Rent shall abate proportionately until access is restored.

c. Landlord's Control. At all times during the Term of this Lease, Landlord shall have the sole and exclusive control of the Common Facilities, and may at any time and from time to time restrain any use or occupancy thereof, provided however that Landlord shall use reasonable care and make reasonable efforts to avoid or minimize the impact on the business of Tenant. In the event that access to the Premises is denied to Tenant by Landlord for more than 24 hours, Rent shall abate proportionately until access is restored. Tenant shall keep the Common Facilities free and clear of any obstructions created or permitted by Tenant or resulting from Tenant's operation. Nothing herein shall affect the right of the Landlord at any time to remove any unauthorized person or auto from the Common Facilities or to prohibit the use of any of the Common Facilities by unauthorized persons. Tenant and its employees shall park their vehicles only in those portions of the parking areas designated for that purpose pursuant to the Rules and Regulations of Exhibit C and the parking provisions of Section 27. Tenant assumes responsibility for compliance by its employees with the parking provisions contained herein. If Landlord elects or is required to limit or control parking at the Project, whether by the use of parking tickets, or any other method of assessment, Tenant shall participate in such validation, assessment, or program under reasonable rules and regulations from time to time established by Landlord, provided that such Rules and Regulations are non discriminatory, uniformly applied and do not conflict with this Lease.

10. UTILITIES. The cost of all utility service to the Premises, including, but not limited to, gas (if any), water, heat, light, telephone, sewer, air conditioning, and electricity shall be paid (either directly or as a CAM Expense) by Tenant together with any taxes thereon. Except in cases of Landlord's or Landlord's agents or employee's gross negligence or willful misconduct, Landlord shall not be liable for damage or loss of any kind resulting from any failure of any utility service to the Premises.

11. MAINTENANCE.

a. Landlord's Maintenance. Except for damage caused by any negligence or act of Tenant or Tenant's agents, invitees or employees, which damage shall be repaired at Tenant's cost, Landlord shall maintain in good condition the structural parts of the Premises, which shall include the foundations, bearing and exterior walls (excluding glass and storefront structures), sub-flooring and roof, and those portions of the electrical, plumbing and sewage systems not exclusively serving the Premises, provided, however, the cost of such maintenance shall be considered CAM Expense pursuant to Section 4.c. In no event shall Tenant be entitled to undertake any maintenance or repairs of Common Facilities or structural parts of the Premises, whether at the expense of Tenant or Landlord, without the prior consent of Landlord. Landlord shall have no obligation to perform any maintenance under this Section 11 unless Landlord determines in its reasonable discretion that such maintenance is necessary. Landlord shall maintain the Project consistent with similar retail centers located in the city and state where the Premises are located and in compliance with applicable laws.

b. Tenant's Maintenance. Tenant at its sole cost shall maintain and keep in good repair every part of the interior of the Premises including without limitation, all walls, floors, lights, plumbing, HVAC systems, ceilings, windows, exterior and interior doors, store front(s) and glass, together with all fixtures, appliances and equipment (only to the extent that same exclusively serve the Premises), and will make all repairs and replacements (using like-quality products) thereto at its own expense upon the date of delivery as set forth in Section 1.i.(1). Tenant, at Tenant’s expense shall maintain a contract for routine (at a minimum semi-annual) filter changes and preventative maintenance of its HVAC system. Upon termination of this Lease, Tenant shall surrender the Premises to Landlord in good condition, except for reasonable wear and tear.

c. Landlord's Substitute Performance. If Tenant fails to perform its obligations under Section 11.b., Landlord may enter the Premises after thirty (30) days prior written notice to Tenant of such failure to

perform such obligations (except in the case of emergency, in which case as much notice as possible is all that is required), perform such obligations on Tenant's behalf and put the Premises in good order, condition and repair, and the documented cost thereof shall be due and payable as additional rent to Landlord together with Tenant's next Base Monthly Rent payment.

12. ALTERATIONS, CHANGES AND ADDITIONS.

a. Tenant's Work. After construction of Tenant's Work in the Premises, no further material changes shall be made to the Premises except in accordance with the following conditions:

(1) No material change may be made without the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed;

(2) All architectural services necessitated by any such change shall be rendered by Tenant's architect at the expense of Tenant; and

(3) All construction work necessitated by any such change shall be performed at the expense of Tenant, and shall be in compliance with all Governmental regulations.

b. Further Alterations by Tenant. Tenant shall not make any structural alterations to the interior of the Premises, or any alterations to the visible exterior of the Premises or to the Project (including any changes to the existing landscaping), without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Any alterations shall remain on and be surrendered with the Premises upon termination of this Lease, except for movable partitions and trade fixtures, which Tenant may remove and except for items Landlord may so designate the Tenant to remove upon termination of the Lease. Should Landlord consent in writing to Tenant's alteration of the Premises, Tenant shall contract with a licensed contractor for the construction of such alterations, shall secure all appropriate governmental approvals and permits, and shall complete such alterations with due diligence in compliance with such approval. All such construction shall be performed in a manner which shall not materially interfere with the quiet enjoyment of other tenants of the Project. Tenant shall pay all costs for such construction and keep the Premises and the Project free and clear of all mechanics' liens which may result from construction by Tenant. Prior to commencement of any construction, Landlord may post and file a notice of non-responsibility or other similar notice permitted under applicable law.

c. Changes and Additions by Landlord. Landlord hereby reserves the right at any time, and from time to time, and without notice to or consent by Tenant, to make alterations or additions to the Project, including without limitation, the right to construct other buildings (including free-standing buildings) and improvements to the Project, to enlarge or reduce the Project and to make alterations therein or additions thereto, to build additional stories on any building or buildings within the Project, construct decks or elevated parking facilities, and sell or lease any part of the land or buildings comprising the Project, provided however, that such alterations, improvements, deletions or other actions shall in no material way affect Tenant's use of the Premises, materially impede access to the Premises, or have the affect of materially altering or contradicting Landlord's representations, covenants or warranties contained in this Lease. In the event that access to the Premises is denied to Tenant by Landlord for more than 24 hours, Rent shall abate proportionately until access is restored. Landlord may also sell or lease any part of the land comprising the Project for construction thereon of buildings which may or may not be a part of the Project so long as such sale or lease shall not unreasonably disturb Tenant's quiet enjoyment of the Premises.

13. RELEASE AND INDEMNITY. As a material consideration of this Lease to Landlord, Tenant agrees that Landlord shall not be liable to Tenant for any damages to Tenant or Tenant's property or business from any cause, other than the gross negligence or willful misconduct by Landlord, its agents, employees and contractors, and Tenant waives all claims against Landlord for damage to persons or property arising for any reason, except for damages arising out of the gross negligence or willful misconduct of Landlord, its agents, employees or contractors. Except to the extent resulting from the gross negligence or willful misconduct of Landlord, its agents, employees or contractors, Tenant shall indemnify, hold harmless, and at Landlord's option, defend Landlord and its agents from any and all legal and equitable claims, demands, causes of

action, liabilities, obligations, costs and expenses (including reasonable attorneys' fees, court costs and litigation expenses) arising out of injury, damage or other loss to any person or property occurring in or about the Premises or arising out of the use of the Premises or Project by Tenant, its employees, agents, invitees or contractors. Tenant's obligations under this Section 13 shall not be limited to the amounts of coverage of insurance maintained or required to be maintained by Tenant under this Lease. It is the intention of the parties that Landlord shall be indemnified by Tenant to the full extent permitted by law.

14. INSURANCE.

a. Tenant's Liability Insurance. Tenant at its cost shall maintain Commercial General Liability insurance for the Premises, including personal injury, property damage, products liability, completed operations and fire legal liability coverage with a single combined liability limit of not less than $1,000,000.00 for bodily injury, death, property damage and personal injury of one person in any one accident or occurrence, and in the amount of not less than $2,000,000.00 for injury or death of more than one person in any one accident or occurrence. Such insurance shall further insure Landlord and Tenant against liability for property damage of at least $___,000. Such coverage shall insure against insurable liability of Tenant and its authorized representatives arising out of or in connection with Tenant's use or occupancy of the Premises. Tenant's liability insurance shall be primary to Landlord's insurance.

b. Project Liability Insurance. Landlord shall maintain General Liability and other forms of insurance for the Project with a liability limit of not less than $5,000,000.00 with the cost thereof being a reimbursable CAM Expense in accordance with Paragraph 4.c. Such coverage (which may be a combination of primary insurance, business interruption and umbrella policies of insurance) shall insure against insurable liability of Landlord, its management company and its authorized representatives arising out of or in connection with Landlord's ownership of the Project. The amounts of insurance, the types and the deductibles in connection there with shall be determined by Landlord in its discretion.

c. Tenant's Worker's Compensation Insurance. Tenant shall maintain workers' compensation and employer's liability insurance affording statutory worker's compensation benefits for the state in which the Premises are located, and employers' liability coverage in an amount not less than the amount required by law.

d. Tenant's Fire Insurance. Tenant shall maintain, at its cost, a policy of "All Risk" insurance on all of Tenant's improvements and alterations in or about the Premises, for their full replacement value and on all of Tenant's personal property and for business interruption. The proceeds from any such policy shall be used by Tenant for the replacement of personal property and the restoration of Tenant's improvements or alterations, or shall be paid to Landlord in lieu thereof. Tenant may elect to have reasonable deductibles.

e. Insurance Requirements. Tenant shall have the right to maintain its insurance under blanket or corporate policies. All insurance required to be provided by Tenant under this Lease:

(1) Shall be issued by insurance companies which are authorized to do business in the state in which the Premises are located and which have a financial rating of at least an A V, B + VI or B VIII status as rated in the most recent edition of Best's Insurance Reports;

(2) Shall be issued as a primary policy and shall expressly provide that any policies carried by Landlord shall be excess and noncontributory of such primary insurance;

(3) Shall, with the exception of the worker's compensation, and employers' liability policy, name Landlord, Landlord's property managers, and Landlord's lender(s) as additional insured and shall expressly provide that the interest of Landlord and/or Landlord's lender shall not be affected by any breach of Tenant of any policy provision; and

(4) Shall contain an endorsement requiring prior written notice to Landlord and if requested, to Landlord's lender, before cancellation or material change in coverage, scope or amount of any

policy. Tenant shall deliver a certificate of insurance to Landlord on or prior to the Date of Delivery of Premises to Tenant and thereafter at least thirty (30) days prior to policy expiration.

f. Modification of Requirements. Landlord may in its reasonable discretion modify or amend, in whole or in part, the requirements for insurance policies under this Section 16.

g. Substitute Performance. If Tenant fails to comply with this Section 16, Landlord may obtain such insurance, and Tenant shall pay to Landlord upon written notice and after an opportunity to cure in conformance with Section 20 the premium cost thereof as additional rent.

h. Waiver of Subrogation. Landlord and Tenant each hereby waive any and all rights of recovery against the other, or against the officers, property managers, employees, agents and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control to the extent that such loss or damage is insured against under any insurance policy that such insuring party was obligated to maintain at the time of such loss or damage. The insuring party shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier that the foregoing mutual waiver of subrogation is contained in this Lease. Notwithstanding the foregoing, the waiver of subrogation will not be effective if its inclusion would cancel an insurance policy of any party.

15. DESTRUCTION. If during the Term, the Premises or Project are damaged from any cause to the extent that the cost of repair in Landlord's good faith estimate exceeds fifty percent (50%) of the replacement cost of the Premises or Project, whichever is damaged, or if the Premises are rendered inaccessible or unusable from any cause, Landlord may, in its sole discretion, terminate this Lease without compensation to Tenant by delivery of notice to Tenant within sixty (60) days after Landlord receives notice of the occurrence of such damage, provided that Landlord also terminates the leases of all similarity situated tenants of the Project. If in Landlord's good faith estimation, the Premises cannot be restored within one hundred eighty (180) days after such damage, Landlord shall notify Tenant within sixty (60) days after the occurrence of the damage, and either Tenant or Landlord may terminate this Lease by delivery of notice to the other after notice to the other within thirty (30) days after Landlord's notice. If this Lease does not terminate, Landlord shall use its best efforts to commence to restore the Premises (but not Tenant's fixtures, equipment, alterations or tenant improvements, which shall be Tenant's responsibility) promptly to the condition existing immediately prior to the damage in compliance with then existing laws and shall complete such restoration within such one hundred eighty (180) days or within such additional times as Landlord may require if it has been prevented or delayed from doing so by reason of fire, earthquake, inclement weather or other acts of God, acts of the public enemy, riot, insurrection, adjustment of insurance, governmental regulation of the sales of materials or supplies or the transportation thereof, strikes or boycotts, shortages of materials or labor, or any other cause beyond Landlord's reasonable control. Landlord shall also use its best efforts to effect such repair or restoration in such a manner as to not unreasonably interfere with Tenant's use and occupancy of the Premises. In such event, this Lease shall remain in full force and effect, but Base Monthly Rent shall be abated in the proportion that the part of the Premises which is unusable by Tenant in the conduct of its business bears to the entire Premises, between the date of damage and the date of completion of restoration. If the damage was caused by the negligence of Tenant, its agents, invitees or employees, there shall be no rent abatement. A total destruction of the Premises shall automatically terminate this Lease.

16. CONDEMNATION.

a. Definitions. The following definitions shall apply: (1) "Condemnation" means (a) the exercise of any governmental power of eminent domain, whether by legal proceedings or otherwise by the condemner and (b) the voluntary sale or transfer by Landlord to any condemner either under threat of condemnation or while legal proceedings for condemnation are pending; (2) "Date of Taking" means the date the condemner obtains the right to possession of the property being condemned; (3) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation; and (4) "Condemner" means any public or quasi-public authority, or private corporation or individual, having a power of condemnation.

b. Obligations to be Governed by Lease. If during the Term of this Lease, any condemnation of all or any part of the Premises or the Project occurs, the rights and obligations of the parties shall be governed by this Lease.

c. Total or Partial Taking. If the Premises are totally taken by condemnation, this Lease shall terminate on the date of taking. If any portion of the Premises or more than 25% of the Project is taken by condemnation, this Lease shall remain in effect, except that Tenant may elect to terminate this Lease, by giving notice to Landlord within thirty (30) days after the nature and extent of the taking have been finally determined, setting forth the date of termination, which shall not be earlier than thirty (30) days after the nature and extent of the taking have been finally determined, setting forth the date of termination, which shall not be earlier than thirty (30) days nor later than ninety (90) days after delivery of the notice. Tenant shall have no claim against Landlord for the value of any unexpired term of the Lease, except for a prorata portion of monies paid for CAM Expenses for the month in which the date of taking occurs. If any portion of the Premises is taken by condemnation and this Lease remains in effect, as of the date of taking all rent shall be reduced in the proportion that the total number of square feet in the Premises taken bears to the total number of square feet in the Premises immediately before the date of taking, Tenant's Prorata Premises Percent shall be appropriately adjusted and Landlord shall proceed to restore the remainder of the Premises to substantially the same condition prior to such partial taking (but not Tenant's fixtures, equipment, alternations or tenant improvements which shall be Tenant's responsibility). Any award for any total or partial taking shall be the property of Landlord; nothing, however, shall preclude Tenant from obtaining an award for loss of or damage to Tenant's trade fixtures or removal of personal property or for damages for cessation or interruption of Tenant's business or for relocation costs, or for the portion of such award as is allocable to improvements constructed or paid for by Tenant.

17. ASSIGNMENT OR SUBLEASE.

a. Prohibition. Tenant shall not assign or encumber all or any interest in this Lease or the Premises or sublease all or any part of the Premises or allow any other person or entity to occupy or use all or part of the Premises either voluntarily, involuntarily or by operation of law without first obtaining Landlord's written consent, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Landlord’s consent shall not be required for a transfer of interest in this Lease (a) to a parent, subsidiary or affiliate company of Tenant; (b) in connection with a merger or consolidation; or (c) in connection with a sale of substantially all of Tenant’s assets. Any assignment, encumbrance or sublease in violation hereof shall be voidable and, at Landlord's election, shall constitute a default. Acceptance of rent by Landlord from anyone other than Tenant shall not be construed as a waiver by Landlord of the actions prohibited by this Section 17, nor as a release of Tenant from any obligation or liability under this Lease, but the same shall be taken to be payment on account by Tenant.

b. Request for Consent; Options of Landlord. Except as provided in Section 17.a, if Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, it shall first notify Landlord of its desire to do so and shall submit in writing to Landlord information respecting the proposed subtenant or assignee, financial statements of the proposed subtenant or assignee and the terms of the proposed sublease or assignment. Landlord's consent for an assignment shall not unreasonably be withheld provided that the proposed use of the Premises by such assignee or subtenant does not violate use restrictions or the exclusive uses of other tenants in the Project.

c. Excess Rent. [Section intentionally deleted]

d. No Waiver. No consent by Landlord to any assignment or subletting by Tenant shall relieve Tenant of any obligation to be performed by Tenant under this Lease, whether accruing before or after such assignment or subletting. No consent by Landlord to any assignment, encumbrance or sublease shall operate as a consent to future assignments, encumbrances or subleases.

e. Assumption of Liability. Each assignee, other than Landlord, shall assume and covenant to perform all obligations of Tenant under this Lease. No assignment shall be binding on Landlord unless such assignee or Tenant shall deliver to Landlord a counterpart of such assignment fully signed by all parties to the

agreement and an instrument in recordable form which contains a covenant of assumption of the assignee satisfactory in substance and form to Landlord. No assignment or sublease shall relieve Tenant of its obligation hereunder.

f. Involuntary Assignments. No interest of Tenant in this Lease shall be assignable by involuntary assignment through operation of law (including without limitation the transfer of this Lease by will or intestacy, merger, consolidation, dissolution or foreclosure). Without limitation, each of the following acts by "Tenant, et al" ("Tenant, et al" shall mean Tenant, a named corporation where Tenant is an officer or majority stockholder or if Tenant is a partnership, any partner who is a general partner in Tenant), shall be considered an involuntary assignment by Tenant:

(1) Bankruptcy and Insolvency. "Tenant et al" becomes insolvent as defined in the Federal Bankruptcy Code, admits in writing its insolvency or its present or prospective inability to pay its debts as they become due, is unable to or does not pay all or any material portion (in number or dollar amount) of its debts as they become due, permits or suffers a judgment against it which affects "Tenant's, et al" ability to conduct its business in the ordinary course, (unless enforcement thereof is stayed pending appeal), makes or proposes an assignment for the benefit of creditors, convenes or proposes to convene a meeting of its creditors, or any class thereof, for purposes of effecting a moratorium upon or extension or composition of its debts, proposes any such moratorium, extension, or composition, or commences or proposes to commence any bankruptcy, reorganization, or insolvency proceeding, or other proceeding under any provision or chapter of the Federal Bankruptcy Code or any other federal, state, or other law for the relief of debtors.

(2) Dismissal or Stay of Proceedings. "Tenant, et al" fails to obtain the dismissal, within one hundred twenty (120) days after the commencement thereof, of any bankruptcy, reorganization, or insolvency proceeding, or other proceeding under any law for the relief of debtors, instituted against it by one or more third parties or fails to actively oppose any such proceeding, or, in any such proceeding, defaults or files an answer admitting the material allegations upon which the proceeding was based or alleges its willingness to have an order for relief entered or its desire to seek liquidation, reorganization, or adjustment of any of its debts.

(3) Receivers. Any receiver, trustee, or custodian is appointed to take possession of all or any assets of "Tenant, et al" or enforcing such creditors' rights.

18. DEFAULT. If Tenant (i) shall fail to pay any rent when due if such failure to pay is not cured within seven (7) days after written notice has been given to Tenant, (ii) shall fail to pay any other sum of money due hereunder when due (although no legal or formal demand has been made therefore) and shall fail to pay the same within seven (7) days after written notice from Landlord that the same is overdue or, (iii) shall violate or fail to perform any other provision of the Lease and shall fail to correct or perform the same within thirty (30) days after written notice thereof is received from Landlord (or, if such violation or failure to perform cannot be cured within such thirty (30) day period, fails to commence and diligently pursue to cure such violation or failure to perform), then this Lease shall be in default and at any time thereafter Landlord may at its option:

a. Terminate Lease. Terminate this Lease and Tenant's right to possession of the Premises; or

b. Repossess the Premises. Without terminating this Lease, re-enter, take possession of the Premises and remove all persons and property therefrom (such property as may be removed may be stored in a public warehouse or elsewhere at the cost of, and for the account of Tenant), all without further notice or legal process and without Landlord or its agents being deemed guilty of trespass or liable for any loss or damage occasioned thereby. In order to take possession of the Premises, Landlord may change the locks to the Premises and thereafter Tenant shall have no right of access to the Premises. If Tenant shall, after default, voluntarily give up possession to Landlord, deliver to Landlord the keys to the Premises, or both, such actions shall be deemed to be in compliance with Landlord's rights and the acceptance thereof by Landlord shall not be deemed to constitute a surrender of the Premises. Should Landlord elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by

law, it may either terminate this Lease or it may from time to time without terminating this Lease, make such alterations or repairs as may be necessary to relet the Premises and relet the Premises or any part of it for such term or terms (which may be for a term extending beyond the Term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in its reasonable discretion may deem advisable. Upon each such reletting all rentals received by Landlord from such reletting shall be applied; first to the payment of any indebtedness, other than rent due hereunder, from Tenant to Landlord; second to the payment of any costs and expenses of such reletting, including brokerage fees and attorney's fees and of costs of alterations and repairs; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent or damage as the same may become due and payable hereunder. If such rentals received from such reletting during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. No such re-entry or taking possession of said Premises by Landlord shall be construed as an election on its part to terminate this Lease, unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous default.

c. Recover Damages. Should Landlord at anytime terminate this Lease for any default by Tenant, in addition to any other remedies it may have, it may recover from Tenant all damages it incurs by reason of such default, including any and all of the following:

(1) The cost of recovering the Premises;

(2) Reasonable attorney's fees;

(3) The present value at the time of termination of the amount by which unpaid rent which would have been earned and received after termination exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; and

(4) Any other documented damages incurred by Landlord and caused by Tenant's failure to perform its obligations under the Lease.

d. Recover Legal Costs. If either party finds it necessary to have legal counsel engage in enforcing the rent collection provisions, or if any action is brought to enforce the rent collection or any provisions thereof, to collect damages for any alleged breach thereof or for a declaratory judgment thereunder, the non-defaulting party or the prevailing party in such action shall be entitled to reasonable legal fees in addition to costs and expenses of enforcement and/or suit. This Agreement shall be governed by laws of the State of Arizona, with venue in Pima County, Arizona. For non-rent disputes, arbitration shall be used per Article 28.e. of this Agreement.

e. No Waiver. Landlord shall not be obligated to notify Tenant of the due date of rent nor demand payment thereof on its due date, the same being expressly waived by Tenant. The acceptance of any sums of money from Tenant after the expiration of any seven (7) day or thirty (30) day notice as above provided shall be taken to be payment on account by Tenant and shall not constitute a waiver by Landlord of any rights, nor shall it reinstate the Lease or cure a default on the part of Tenant. All rights and remedies of Landlord under this Lease shall be cumulative and shall not be exclusive of any other rights and remedies provided to Landlord under application law. For purposes of this Section 18, "rent" shall include Tenant's Prorata Share of CAM Expenses, and all other charges of any kind or nature. Landlord shall make reasonable efforts to mitigate Tenant's damages.

19. ENTRY ON PREMISES. Landlord and its agents shall have the right to enter the Premises at reasonable times (with reasonably frequency and reasonable notice to Tenant) for the purpose of examining or inspecting the same, to supply any service to be provided by Landlord or Tenant hereunder, to show the same to prospective purchasers, lenders, or tenants of the Project, and make such alterations, repairs, improvements or additions to the Premises or to the Project as Landlord may deem necessary or desirable, provided, however, that such entry does not unreasonably interfere with the operation of Tenant's business. Landlord, during the entire Term of the Lease, shall have the right, upon ninety (90) days prior written notice

to Tenant, to change the name, number or designation of all or any portion of the Project without liability to Tenant, except Landlord shall pay related reasonable expenses. Landlord may at any time during the last thirty (30) days of the Term of the Lease place on or about the Premises "for lease" signs; Landlord may at any time place on or about the Project "for sale" or "for lease" signs.

20. SUBORDINATION. At the election of Landlord or any mortgagee or any beneficiary of a deed of trust on the Project, this Lease shall automatically be subject and subordinate at all times to (a) underlying leases which may now exist or hereafter be executed affecting the Project, and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount encumbering the Project, ground leases or underlying leases, or Landlord's interest or estate in any of them, provided however, that Tenant receives a non-disturbance agreement from Landlord's lender insuring Tenant's right to quiet possession shall not be disturbed while Tenant is not in default hereunder. If any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, the same shall not terminate this Lease, and Tenant shall attorn to and become the Tenant of the successor in interest. Tenant shall execute and deliver any additional documents in the form reasonably requested by Landlord, evidencing the subordination of this Lease with respect to any lien, mortgage or deed of trust. If, in connection with obtaining financing for the Project, Landlord's lender shall require modifications to this Lease as a condition to such financing, Tenant shall not withhold or delay its consent thereto provided that such modifications do not increase Tenant's obligations hereunder or materially adversely affect the leasehold interest created hereby.

21. ESTOPPEL CERTIFICATES. Within fifteen (15) days after notice is received from Landlord, Tenant shall execute and deliver a certificate stating such matters reflecting the status of this Lease or the Premises as Landlord, Landlord's lender, or a purchaser may reasonably request. If Tenant shall fail to deliver the estoppel certificate within fifteen (15) days, then any representations of the Landlord respecting the matter covered by the certificate shall be conclusively presumed to be accurate. However, Tenant shall not be cured thereby, and Tenant shall continue to be obligated to deliver the estoppel certificate.

22. NOTICE. Any notice, demand, request, consent, approval or communication desired by either party or required to be given under this Lease, shall be in writing and served: (i) by depositing same in the United State mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt; (ii) by overnight, third party prepaid national courier service; (iii) by delivering the same in person to such party; or (iv) by facsimile. Notice personally delivered or sent by courier service shall be effective upon receipt requested. Any notice mailed shall be effective three (3) business days after its deposit in the United States mail. Notice given by facsimile will be deemed to be received upon sender's receipt of a transmission report, generated by sender's facsimile machine, which confirms that the facsimile was successfully transmitted in its entirety. For purposes of notice, the addresses of the parties shall be as set forth in Section 1. Either party may change its address by written notification to the other party.

23. WAIVER. No delay or omission in the exercise of any right or remedy or acceptance of any payment or portion thereof due hereunder by either party shall impair such right or remedy or be construed as a waiver. No act or conduct by either party, including without limitation, Landlord's acceptance of the keys to the Premises, shall constitute an acceptance of surrender of the Premises by Tenant before the expiration of the Term. Either Party's consent to any act by the other party shall not be deemed to waive or render unnecessary the other party's consent to any subsequent act.

24. SURRENDER OF PREMISES; HOLDING OVER.

a. Surrender of Premises. Upon expiration of the Term, Tenant shall surrender to Landlord the Premises consistent with the provisions of Section 12.b. Tenant at its expense shall remove all personal property. Landlord may elect to retain or dispose of in any manner Tenant's personal property not removed from the Premises by Tenant upon the expiration of the Term. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of Tenant's personal property, the possession of which was taken by Landlord pursuant to this Section 24. Tenant shall be liable to Landlord for Landlord's costs for storage, removal or disposal of Tenant's personal property.

b. Holding Over. If Tenant remains in possession of the Premises after expiration of this Lease, such possession by Tenant shall, at Landlord's option, be deemed to be a month-to-month tenancy on all provisions of this Lease, except those pertaining to Term and rent. During such holdover period, Tenant shall pay Base Monthly Rent in an amount equal to 125% of Base Monthly Rent for the last full calendar month during the regular Term plus 100% of the last month's estimate of Tenant's prorata share of CAM Expenses determined in accordance with the provisions of this Lease. So long as Tenant is in possession of the Premises under such month-to-month tenancy, Landlord shall have the rights provided it at law or in equity including, without limitation, the right upon thirty (30) days written notice to terminate Tenant's right to possession of the Premises.

25. DEFAULT OF LANDLORD.

a. Notice Required. In the event of any default by Landlord hereunder, Tenant agrees to give notice of such default, as required by Section 22, to Landlord at Landlord's address as stated in Section 1(c) and to offer Landlord a reasonable opportunity to cure the default. Such Notice shall be given as herein provided no later than thirty (30) days after the occurrence of the default. If a non-monetary default cannot reasonably be cured within a thirty (30) day period, Landlord shall not be in default if Landlord commences to cure the default within the thirty (30) day period and diligently and in good faith continues to cure such default.

b. Causes Beyond Landlord's Control. In the event of a default by Landlord, this Lease and Landlord's obligations hereunder shall in no way be affected, impaired or excused if Landlord is prevented or delayed from so doing by reason of fire, earthquake, or other acts of God, acts of the public enemy, riot, insurrection, adverse governmental regulation of the sales, strikes or boycotts, shortages of materials or labor, or any other cause beyond the reasonable control of Landlord.

c. Tenant's Remedies. In the event of any actual or alleged failure, breach or default hereunder by Landlord, Tenant's sole and exclusive remedy shall be for payment of damages or injunctive relief against the Project and Landlord, and no principal or agent of Landlord shall be sued, or have a judgment obtained against such principal in connection with any alleged breach or default, and no writ of execution shall be levied against the assets of any principal of Landlord. The covenants and agreements contained in this Lease are enforceable by Landlord and also by any principal of Landlord. As used in this paragraph, "principal of Landlord" shall mean any officer, director, trustee, shareholder, agent, employee, member or representative of Landlord.

26. LANDLORD'S RULES AND REGULATIONS. Tenant shall faithfully observe and comply with the Rules and Regulations that Landlord shall from time to time promulgate. Landlord reserves the right from time to time to make all reasonable modifications to such Rules and Regulations. The additions and modifications to those Rules and Regulations shall be binding upon Tenant upon delivery of a copy of them to Tenant. Notwithstanding the above, such Rules and Regulations must be non-discriminatory, uniformly applied and not conflict with this Lease. If there is a conflict between the terms and conditions of this Lease and such Rules and Regulations, the terms and conditions of this Lease shall control. Landlord shall not be responsible to Tenant for the non-performance by others of any such Rules and Regulations. The parties acknowledge that the Rules and Regulations attached hereto as Exhibit C are presently the Rules and Regulations which are in effect.

27. PARKING.

a. Landlord shall provide parking areas available for the non-exclusive use (except as noted herein) of Tenant during the Term of this Lease or any extension thereof, provided that the condemnation or other taking by any public authority, or sale in lieu of condemnation, of any or all of such common and parking areas shall not constitute a violation of this covenant. Landlord reserves the right to change the entrances, exits, traffic lanes, parking layouts and the boundaries and locations of such parking area or areas, and to construct covered parking for rent to tenants of the Project. Tenant may not park on any pad areas of the Project, and will observe any “Customer Parking Only” or “30 minute only” designations.

b. The Landlord shall keep the parking and common areas in a neat, clean and orderly condition and shall repair any damage to the facilities thereof, but all expenses in connection the repair and maintenance of parking and common areas shall be charged and prorated in the manner as set forth in Section 4.c.

c. Tenant, for the use and benefit of Tenant, its agents, employees, customers, licensees and sub-tenants, shall have the non-exclusive right in common with Landlord and other tenants, and their agents, employees, customers, licensees and sub-tenants, to use said common and parking areas during the Term of this Lease, or any extension thereof, for ingress and egress, and automobile parking except as set forth herein.

d. Tenant, in the use of said common and parking areas, agrees to comply with such reasonable rules and regulations for parking as the Landlord may adopt from time to time for the orderly and proper operation of said common and parking areas. Such rules may include but shall not be limited to the following: (i) The restricting of employee parking to a limited, designated area or areas; and (ii) the regulation of the removal, storage and disposal of Tenant's refuse and other rubbish at the sole cost and expense of Tenant.

28. MISCELLANEOUS PROVISIONS.

a. Time of Essence. Time is of the essence of each provision of this Lease. No payment by Tenant or receipt by Landlord of a lesser amount than stipulated herein for rent, CAM Expenses or any other charge hereunder shall be deemed other than payment on account of the earliest stipulated rent, CAM Expense or other charge then due, nor shall any endorsement or statement on a check or letter accompanying any check or payment be deemed in accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's rights to recover the balance of such rent, additional rent or other charges or pursue any other remedy in this Lease, at law or in equity.

b. Successor. This Lease shall be binding on and inure to the benefit of the parties and their successors, except as provided in Section 17.

c. Landlord's Consent. Any consent required by Landlord under this Lease must be granted in writing.

d. Commissions. Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner, except for the broker(s) identified in Section 1.p.

e. Arbitration of Non-Rent Disputes.

(1) If a dispute or controversy arises (not involving the payment of rent) with respect to this Lease, the parties hereby agree that such controversy or dispute shall be settled by final, binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (hereafter "AAA"), and the judgment or award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

(2) The parties shall voluntarily and without demand thereof exchange all information which would otherwise be required to be disclosed under Rule 26.1, Arizona Rules of Civil Procedure, and shall reasonably supplement such disclosure in compliance with Rule 26.1. Additional discovery may conducted either upon mutual consent of the parties, or by order of the arbitrator upon good cause being shown. In ruling on motions pertaining to discovery, the arbitrator shall consider that the purpose of arbitration is to provide for the efficient and inexpensive resolution of disputes, and the arbitrator shall limit discovery whenever appropriate to ensure that this purpose is preserved.

(3) The dispute or controversy shall be submitted for determination within thirty (30) days after the arbitrator has been selected. The arbitrator shall render his or her decision within thirty (30)

days after the conclusion of the arbitration hearing. Upon stipulation of the parties, or upon a showing of good cause by either party, the arbitrator may lengthen or shorten the time periods set forth herein for conduction the hearing or for rendering a decision.

(4) The decision of the arbitrator shall be final and binding upon the parties. Judgment to enforce the arbitrator's decision, whether for legal or equitable relief, may be entered in the Superior Court of Pima County, Arizona, and the parties hereto expressly and irrevocably consent to the jurisdiction of such Court for such purpose. The substantially prevailing party in the arbitration shall be entitled to an award of its attorneys' fees and costs.

(5) The arbitrator shall conduct all proceedings pursuant to the Uniform Arbitration Act (the "Act") as adopted in the State of Arizona and the then existing Commercial Arbitration Rules of the AAA, to the extent such rules are not inconsistent with the Act or the provisions of this Article.

(6) Notwithstanding the above, the arbitration provisions herein shall only apply to disputes or controversies not involving Tenant's payment of, or Landlord's receipt of rent. Landlord expressly reserves the right to all remedies allowed in law or in equity to judicially enforce a monetary default and/or recover the Premises and/or recover damages in accordance with the provisions of Section 18 of the Lease.

(7) By initialing below, the parties are agreeing to have any non-rent dispute decided by binding arbitration, and are giving up any rights the parties might possess to have the dispute litigated in court or jury trial, and are giving up most of the rights of appeal. If any party refuses to submit to arbitration after agreeing to this provision, it may be compelled to arbitrate under the authority of the Arizona Code of Civil Procedure. Consent to this arbitration provision is voluntary. The parties have read and understand the foregoing and agree to submit non-rent disputes to binding arbitration.

_____ _____
Landlord's Initials Tenant's Initials

g. Tenant Financial Statements. Upon submission of this Lease to Landlord and annually thereafter, within thirty (30) days after receipt of a request from Landlord, Tenant shall furnish to Landlord copies of Tenant's most recent financial statements, including balance sheet, statements of profit and loss and changes to financial condition, reflecting Tenant's current financial condition. Landlord agrees to hold all such financial statements and information in confidence.

h. Landlord's Successors. So long as any successor to Landlord has fully assumed Landlord's liabilities under this Lease and has executed a non-disturbance agreement in form and substance reasonably satisfactory to Tenant, Landlord shall be released from any further liability hereto. In the event of a conveyance of the Project or the Premises, the same shall operate to release Landlord from any liability under this Lease including the obligation to return the Security Deposit, and in such event Landlord's successor in interest shall be solely responsible for all obligations of Landlord under this Lease.

i. Interpretation. This Lease shall be construed and interpreted in accordance with the laws of the state in which the Premises are located without regard to conflict of law principles. This Lease (including the exhibits and any addendum attached hereto) constitutes the entire agreement between the parties respecting the Premises and the Project. Landlord and Tenant acknowledge that all prior negotiations, inducements and agreements by and between Landlord and Tenant and all agents and employees of Landlord and Tenant are merged herein, and that neither party is relying upon any promises, representations, or other inducements not set forth herein. When required by the context of the Lease, the singular shall include the plural, and the masculine shall include the feminine and/or neuter. "Party" shall mean Landlord and/or Tenant. If more than one person or entity constitutes Landlord or Tenant, the obligations imposed upon that party shall be joint and several, and Landlord may release any of them and/or may release any collateral without affecting the liability of any of them who have not been released in writing from liability under the Lease. The enforceability, invalidity or illegality of any Lease provision shall not render the other provisions unenforceable, invalid or illegal. All provisions, whether conditions or covenants on the part of

Tenant, shall be deemed to be both conditions and covenants. Nothing contained herein shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither the method of computation of rent, nor any other provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties other than the relationship of Landlord and Tenant.

j. Security Measures. Tenant acknowledges, understands and agrees that Landlord shall have no obligation or responsibility to provide guard service or other security measures for the benefit of Tenant, Premises or the Project. Tenant assumes sole responsibility for the protection of Tenant, its agents, customers, invitees and employees, and the property of Tenant or its customers from acts of third parties. Landlord may, at its sole option, however, provide certain security services to the Project, in which event such costs and expenses shall be included within the definition of CAM Expenses herein defined for purposes of Section 4.c. Tenant is encouraged to install a monitored alarm system within its Premises.

k. Landlord Substitute Performance. If Tenant defaults in the performance of any obligation under this Lease, Landlord in its reasonable discretion may, after written notice as provided for herein, perform such obligation, in which event Tenant shall pay Landlord as additional rent all sums paid by Landlord in connection with such substitute performance within thirty (30) days following Landlord's written notice for such payment.

l. Recording. Neither party shall record this Lease or any memorandum thereof without the prior written consent of the other party. Each party shall, upon the request of the other party, execute and acknowledge a short form memorandum of this Lease for recording purposes. Upon the termination of this Lease for any reason, Tenant shall, within thirty (30) days of the date of request by Landlord, convey to Landlord, by quit claim deed in recordable form, any and all interest Tenant may have under this Lease.

m. Surrender or Cancellation. The voluntary or other surrender of this Lease by Tenant, Tenant's Default hereunder, or a mutual cancellation of this Lease shall terminate all or any existing subleases, unless Landlord elects to treat such surrender or cancellation as an assignment to Landlord of any or all of such subleases.

n. Broker Disclosure. Tenant acknowledges that Prime Commercial Real Estate, L.L.C. ("Landlord's Broker") exclusively represents the Landlord herein, and does not represent the Tenant. Tenant further acknowledges that Landlord's Broker has encouraged Tenant to seek its own legal and business representation with respect to the terms hereof.

o. Submission of Lease. Submission of this Lease for examination, even though executed by Tenant, shall not bind Landlord in any manner, and no Lease or other obligation on the part of the Landlord shall arise, until this Lease is executed and delivered by Landlord to Tenant.

29. Obligations of Tenant Relating to Brake Masters Systems, Inc. Tenant acknowledges that Landlord is leasing the Premises to Tenant because Tenant (or a person or entity controlled by, controlling or under common control with Tenant) is a Franchisee of Brake Masters Systems, Inc. ("BMSI"), and that Landlord would not otherwise lease the Premises to Tenant. Accordingly, Tenant hereby agrees as follows:

(a) Tenant shall use and occupy the Premises for the purpose of operating a Brake Masters® auto service facility only and for no other purpose whatsoever;

(b) All alterations, additions and improvements to the Premises, and all signs and the placement thereof, must conform to the standards established from time to time by BMSI for the Brake Masters franchise system;

(c) Any breach or default by Tenant (or Tenant's related party who is the BMSI Franchisee) under the Franchise Agreement, as amended if applicable, which is not cured within the cure period, if any, provided therein shall constitute a material default by Tenant under Section 18 of this Lease;

(d) BMSI shall be provided with a copy of every notice given by Landlord to Tenant, and by Tenant to Landlord, to be delivered to:

Brake Masters Systems, Inc.
6179 East Broadway Boulevard
Tucson, Arizona 85711;

(e) BMSI shall be deemed a third party beneficiary of this Lease entitled to fully and directly enforce its rights hereunder; and

(f) Notwithstanding any contrary provisions elsewhere in this Lease, the provisions of this Article 29 shall control the terms of this Lease and shall supersede and replace any conflicting provisions elsewhere in this Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the date first written above.

LANDLORD:	**TENANT:**
_____.	_____
By:	By:_____
Its:_____	Its:_____
Witness:	Witness:
_____	_____
Address:	Address:
_____	_____

EXHIBIT A
DESCRIPTION OF PREMISES

[SEE ATTACHED]

EXHIBIT B
DESCRIPTION OF PROJECT

[SEE ATTACHED]

EXHIBIT C
LANDLORD'S RULES AND REGULATIONS
(SECTION 26)

1. ENTRANCES AND EXITS. The sidewalks, entrances and Common Facilities shall not be obstructed or used for any purpose other than ingress or egress, and tenants may not display or sell merchandise, install carpets, door mats, planters, etc., or allow carts or portable signs, devices or any other objects to be stored or to remain outside the exterior walls or permanent doorways of the Premises. The Common Facilities of the Project are not for the use of the general public, and Landlord shall in all cases retain the right to control or prevent access thereto by all persons whose presence, in the judgment of Landlord, shall be prejudicial to the safety, character, reputation or interests of the Project and its tenants; provided however that nothing herein shall be construed to prevent such access by persons with whom the tenants normally deal in the ordinary course of its business, unless such persons are engaged in illegal activities. Tenants shall not enter the mechanical rooms, electrical closets, janitorial closets or go upon the roof of the Project without the prior written consent of Landlord. No A-frame signs shall be allowed at the Project.

2. AWNINGS. No awnings, banners, inflatables or other projections shall be attached to the outside walls, roof or storefront of the Premises, Common Facilities or on any building in the Project, and no advertising window shades, blinds, drapes or other unusual window coverings shall be hung in the Premises without the prior written consent of Landlord.

3. RESTROOMS. The toilets, wash basins and other plumbing fixtures within the Premises shall be used solely for the purposes for which they were constructed, and no refuse or garbage shall be thrown therein. All damage resulting from any misuse of such fixtures shall be borne by the tenant who, or whose employees, agents or invitees shall have caused the same.

4. DEFACEMENT/VANDALISM. No tenant shall in any way deface any part of the Premises or the Project. No boring or cutting for wires, stringing of wires or other activities shall be permitted without the prior written consent of Landlord and then only as Landlord may direct. Tenants at the Project are responsible for removing any graffiti on their storefront or storefront glass and for replacing any damage to same caused by vandalism. Landlord will repair vandalism or graffiti damage to the exterior walls and Common Facilities as part of its CAM maintenance.

5. PROHIBITED ACTIVITIES. No disabled vehicles may be stored on the parking lot of the Project, except with written approval of Landlord as to the number of disabled vehicles, their location, and the time that they may be stored. No animals or pets of any kind shall be brought into or kept in or about the Premises. No cooking shall be done or permitted on the Premises without the prior written consent of Landlord, except the preparation of coffee, tea and other beverages for the tenant, its employees and visitors and the occasional use of a microwave for use of its employees only. No tenant shall cause or permit any unusual or objectionable odors to escape from the Premises. The Premises shall not be used for lodging or sleeping or for any immoral or illegal purposes. No tenant shall make, or permit to be made, any unseemly or disturbing noises, sounds or vibrations, or otherwise disturb orinterfere with other tenants or occupants of the Project or those having business with them. No tenant shall throw anything out of doors or in the Common Facilities of the Project, other than in the approved trash receptacles.

6. DELIVERIES AND PICK-UPS. All removals or deliveries of goods and freight must take place during normal business hours and in the locations designated by Landlord from time to time. Landlord reserves the right to impose conditions upon the installation in the Premises of heavy objects or the times that large delivery trucks can deliver goods to tenants.

7. ENTRY. Landlord reserves the right to exclude unauthorized parties from the Project or the Premises at all times other than the reasonable hours of generally recognized days of operation of the Project. Landlord shall in no case be liable for damages for any error respecting the admission to or exclusion from the Project, or the Premises of any person. In case of riot or other disturbance, Landlord reserves the right to prevent access to the Project or the Premises during the continuance of any riot or

disturbance, for the safety of the tenants and protection of property in the Project. All of Tenant's agents, employees and invitees shall comply with all security regulations established from time to time by Landlord.

8. SOLICITORS. Canvassing, soliciting and peddling in the Project are prohibited, and each tenant shall cooperate to prevent the same.

9. TELEPHONES. Landlord will direct technicians as to where and how telephone wires are to be installed. The location of telephones and other office equipment affixed to the Premises shall be subject to the written approval of Landlord. Tenant may not install pay phones within the Premises or the Project.

10. EXPLOSIVES. No explosives or flammables of any kind shall be brought into the Premises or the Project.

11. BUILDING DIRECTORY. The bulletin board or directory of the Project, if any, will be provided exclusively for the display of the name and location of tenants only. Such directory shall be maintained exclusively by Landlord with the cost of such maintenance included in CAM Expenses, and shall be in the form, location and size as determined by Landlord in its sole discretion.

12. EXPULSION. Landlord reserves the right to exclude or expel from the Project any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner violate the Rules and Regulations of the Project.

13. REFUSE AND GARBAGE. Refuse and garbage shall be removed from the Premises at such times and intervals, through such exits thereof and over such routes of egress therefrom as Landlord may designate from time to time. No refuse or garbage will be stored anywhere except inside the Premises or in areas designated by Landlord. Landlord will use its best efforts to place a cardboard recycling receptacle at the Premises. No oil or hazardous materials will be discarded in the Project's waste receptacles.

14. PARKING. Within ten (10) days after each tenant opens for business in the Premises, the tenant shall provide Landlord with a list of the automobile license numbers for all employees or regular contractors employed in the Premises, which list shall be updated from time to time as necessary. Tenant and tenant's employees or contractors shall park in areas that do not block the parking spaces used by customers of the Project. Tenant shall require all trucks servicing Tenant to be promptly loaded and unloaded in the area where service entrances are provided. Overnight parking of any vehicle, without Landlord's written approval, is prohibited and anything parked in violation hereof shall be subject to towing at Tenant's expense. No inoperational cars shall be parked in the parking lot.

15. ADVERTISING. No sign, placard, picture, advertisement, banner, special event, name or notice shall be inscribed, displayed, printed or affixed on or to any part of the outside of the Building or the Premises without the written consent of Landlord first obtained, and Landlord shall have the right to remove any such sign, placard, notice picture, advertisement, banner or name without notice to, and at the expense of the tenant displaying such prohibited item. Tenants shall not place anything or allow anything to be placed near or on the glass of any window, door, partition or wall which may appear unsightly from outside the Premises or Building.

16. VENDING. No vending machine or food dispensing or cooking machines of any description (except a microwave for use by employees only) shall be installed, maintained or operated at the Premises without the prior written consent of the Landlord

_____ _____

Landlord's Initials Tenant's Initials

EXHIBIT D
STANDARD TENANT SIGN CRITERIA

A. Approvals:

1. All sign requests must be submitted by each tenant to the Landlord for its written approval prior to application for sign permit. Submit to Landlord detailed drawings drawn to scale, showing size, layout, colors, materials, style of all letters and all graphics. All submissions to Landlord will include two (2) sets of sign plans. If approved, an approved copy of the sign plans will be returned.

2. Each tenant shall be responsible for obtaining all permits for signs and for providing and installing all signs.

3. In addition to advance written approval by Landlord, all signs must be in conformance with local sign codes.

B. Required Sign Locations:

1. One sign per tenant must be installed, to be located on the façade of the Premises building.

2. One street number per tenant shall be located over the entrance and rear doorways.

C. Allowable Sign Sizes:

1. The maximum allowable facade sign sizes shall be in compliance with the local governmental authority in the city and state where the Premises are located.

D. General Design Requirements:

1. All letters and/or logos for retail spaces shall be "Pan Channel" units with rear illuminated translucent Plexiglas face and five (5) inch metal returns, mounted on raceway painted to match the facade color.

2. All colors for signs shall be subject to approval by Landlord.

3. No sign perpendicular to the face of the building shall be permitted.

4. No roof-mounted signs of any kind shall be permitted.

5. No window signs are permitted without the written approval of Landlord.

6. No sign shall be closer than 18 inches from a neutral strip between tenants.

7. No flashing, moving, audible or portable signs shall be permitted.

8. All electrical signs shall be in compliance with all local sign, building and electrical codes.

9. No exposed conduit, tubing, label, neon tubing, conductors, transformers, or other electrical appurtenances shall be used.

10. Electrical service to all signs shall be provided from the Tenant's electrical panel.

11. Design and location of all raceways and mounting devices shall be as approved by Landlord.

12. The Tenant shall be responsible for repair of any damage to the building caused by the installation or removal of its signs. The Tenant’s sign contractor shall not drive a truck onto the sidewalk, walkways or landscaped areas of the property.

13. No advertising placards, banners, pennants, names, insignia, trademarks, or other descriptive material shall be affixed to or maintained on the glass store window panes, supports of the store windows and doors, or upon the exterior walls of the facade of the Premises or anywhere within the Project, without the advance written consent of Landlord, which consent may be withheld at Landlord's sole discretion.

_____ Landlord's Initials

_____ Tenant's Initials

EXHIBIT E
LANDLORD'S WORK / TENANT'S WORK

LANDLORD'S WORK

Landlord shall deliver the Premises to Tenant in its "AS IS" condition except for the following work, which will be completed at Landlord's sole cost:

1. Landlord shall construct demising walls separating the suites within the development and forming the restroom within the Premises; walls to be textured and taped, ready for paint;

2. Landlord shall construct a single ADA compliant restroom;

3. Landlord shall distribute the HVAC system throughout the Premises;

4. Landlord shall install standard drop ceiling and lighting throughout the Premises.

TENANT'S WORK

Tenant at its sole expense shall pay for all other costs associated with the interior of the Premises and complying with code requirements to operate at the Premises, including but not limited to the following:

1. All costs of construction of any specialized improvements and any specialized facilities within the Premises;

2. All interior improvements of any type or nature, not part of Landlord's Work above;

3. All other floor coverings, ceiling treatments, wall coverings, signs, window coverings, cabinets, counters and furniture, fixtures, and equipment to be used at the Premises;

4. Phone systems, computer systems, mechanical systems and security systems;

Tenant shall accept possession of the Premises immediately after Landlord's Work has been completed, and Tenant shall thereafter pay for and supervise the construction of any specialized interior improvements at the Premises. Tenant acknowledges having the opportunity to make all necessary inspections of the Premises prior to the lease execution, and has determined that the condition of the Premises is fully satisfactory for Tenant's use.

_____ _____

Landlord's Initials Tenant's Initials

EXHIBIT F
SATELLITE DISH/ANTENNA INSTALLATION

Subject to approval by applicable governmental authorities, Landlord hereby grants to Tenant and its agents and contractors, at Tenant's sole cost and expense, the right to install, maintain and operate on the roof of the Premises a single 24" diameter or smaller satellite antenna or dish and related equipment (the "Dish"), including cables from the exterior to the equipment inside the Premises, necessary for operation of the Dish. Such Dish antenna shall be for the business use of Tenant and shall not be a commercial or common carrier wireless or cellular phone/data antenna. Tenant shall cause all necessary cabling for the Dish to penetrate the roof and install the Dish so that it is not visible from any parking or common Area within the Project or adjacent streets. Tenant may locate or relocate the Dish in or about the roof of the Premises for purpose of adequate reception, subject to applicable law, codes, and regulations. Tenant shall ensure that the Dish, and each part of it, will be installed in accordance with local rules and building codes and shall repair all damage to the Premises (including but not limited to the roof of the Premises) caused as a result of Tenant's installation of the Dish. Tenant shall be responsible for the repair and maintenance of the Dish during the term of this Lease, and upon the termination of this Lease shall remove the Dish and repair damage to the roof of Premises caused as a result of such installation and removal. Tenant agrees to hold Landlord and its officers, members, employees and agents harmless from and against all damages, liabilities, costs and expenses (including reasonable attorney's fee) arising out of any act or omission at the Project or Premises by Tenant, its employees, contractors or agents with respect to the installation or use of the Dish.

_____ _____

Landlord's Initials Tenant's Initials

EXHIBIT G
OPTION TO EXTEND TERM

A. Options(s) to Extend Term

1. Landlord hereby grants to Tenant _____ (___) option (the "Option") to extend the Lease term for an additional term of ( ) years (the "Extension Term"), on the same terms, conditions and covenants set forth in the Lease, except as provided below. The Option shall be exercised only by written notice delivered to the Landlord a minimum of ninety (90) days and a maximum of one hundred eighty (180) days before the expiration of the original Term of the Lease. If Tenant fails to deliver to Landlord written notice of the exercise of the Option to extend within the prescribed time period, such Option and any succeeding Options shall lapse, and there shall be no further right to extend the term of the Lease. The Option shall be exercisable by Tenant on the express condition that at the time of the exercise of said Option, and at all times prior to the commencement of such Extension, Tenant shall not have been in material default under any of the provisions of this Lease, or an event had not occurred which upon notice or lapse of time, or both, would create a material default. The foregoing Option is personal to Tenant and may not be exercised by any assignee or sub-tenant.

2. The Base Monthly Rent shall be increased to the following amounts on the following dates:

OPTION #1:

OPTION LEASE YEARS	BASE MONTHLY RENT
____	$_____+ CAM and rental tax, if any

3. All other terms and conditions of the Lease, its Exhibits and Guarantees shall remain in full force and effect during the entire term of the options.

_____ _____

Landlord's Initials Tenant's Initials

EXHIBIT H
PERSONAL GUARANTEE

FOR A VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, including, but not limited to, the execution and delivery of the foregoing Lease by_____ (hereinafter "Tenant") and _____ (hereinafter "Landlord") the undersigned individual/individuals ("Guarantors") do hereby jointly and severally, each for himself or herself individually, for his or her individual estate and jointly with his or her respective spouse for their respective communities, and for any other community involved herein, guarantee the faithful and complete performance of the foregoing Lease. This Guarantee shall be in full force and effect from date of Lease execution through the term of the Lease and any extensions thereof, when this personal guarantee shall expire. The undersigned further guarantee that all acts required to be performed by the Tenant under the terms of Lease shall be performed within the times required for the performance of such acts and the payment of all amounts due to the Landlord from the Tenant including all rents, CAM Expense and any other amounts that may become due and owing to the Landlord from the Tenant.

The undersigned hereby expressly agree that the validity of this Guarantee and the obligation of the undersigned hereunder shall in no way be terminated, affected or impaired by reason of any assertion of Landlord, its successors or assigns, or Landlord's failure to enforce any of the terms, covenants or conditions of the Lease or this Guarantee, or the granting of any indulgence or extension of time to Tenant, all of which may be given or done without notice to the undersigned.

The Guarantors shall be given written notice of any default in the payment of rent, additional rent or any other amounts contained or reserved in the Lease or of any material breach or nonperformance of any of the covenants, conditions or agreements contained in the Lease, and shall have fifteen (15) days from receipt of said notice to correct or cure said default.

The undersigned further agrees that its liability under this Guarantee shall be primary, and that in any right of action which may accrue to Landlord, its successors or assigns, under the Lease or this Guarantee, Landlord, its successors or assigns, at its option may proceed against the undersigned without having taken or commenced any action or obtained any judgment against Tenant. A discharge in bankruptcy of the undersigned by a Bankruptcy Court that is "full satisfaction" (or words to such effect) of the Lease obligations, regardless as to whether the discharge was part of the resolution of a bankruptcy claim or as part of a plan of reorganization, does not excuse the obligations of undersigned and Landlord may pursue the undersigned for the entire amount due and owing Landlord regardless of the discharge.

The undersigned specifically guarantee the payment of all damages, costs, expenses, attorneys' fees, and rents for which the Tenant under the Lease shall become liable by reason of the provisions of the Lease and the laws of the State of Arizona.

The undersigned do hereby each individually for themselves and jointly with their community spouse (if any) waive the necessity of demand upon the Tenant for performance of the provisions of the Lease and do hereby consent that demand may be made upon each individually, or jointly with any other Guarantor for the performance of any and all acts under the Lease including the payment of rents and any other amounts due. No notice need be given to the Tenant that demand is being made on the undersigned Guarantor(s) and each undersigned Guarantor individually does hereby waive notice to any other Guarantor before a claim may be made against any individual Guarantor or the community Guarantors guaranteeing the performance of the Lease.

IN WITNESS WHEREOF we have set our hands the date and year set forth in the acknowledgments hereto.

_____	_____
Signature of Guarantor	Signature of Spouse
_____	_____
_____	_____
Address	Address
_____ _____	_____ _____
Phone SSN#	Phone SSN#

STATE OF _____)
) ss. ACKNOWLEDGEMENT
COUNTY OF _____)

The foregoing instrument, namely that certain PERSONAL GUARANTEE, dated _____, 20__, consisting of two (2) pages including this one, was acknowledged before me this _____ day of _____, 20__, by _____ and _____.

(Seal and Expiration Date)

_____
Notary Public

When recorded, return to:

Brake Masters Systems, Inc.
6179 East Broadway Boulevard
Tucson, Arizona 85711
Attention: Real Estate Department

MEMORANDUM OF OPTION

This Memorandum of Option (this "Memorandum") is made as of this ____ day of _____, 20___, by and between _____ _____ ("Optionor"), and Brake Masters Systems, Inc., an Arizona corporation, and/or assigns ("BMSI").

Optionor and BMSI hereby give notice to the public that Optionor has granted and/or hereby grants to BMSI an option to purchase the real property legally described on **Exhibit A** attached hereto (the "Property"), togther with all improvements, fixtures, and appurtenances thereto, on the terms and conditions set forth in the Franchise Agreement of even date between Optionor or an affiliate of Optionor, as the "Franchisee," and BMSI as the "Franchisor," which is hereby incorporated by this reference. Under the Franchise Agreement, BMSI has granted to Franchisee the right to operate a BRAKE MASTERS® franchise on the Property, subject to and in accordance with the terms and conditions set forth in the Franchise Agreement, which include the granting to BMSI of the option memorialized by this Memorandum.

Without limiting the applicable provisions of the Franchise Agreement, the term of the option commenced upon the execution of the Franchise Agreement and will continue until the earliest of the following dates: (i) 15 business days after the expiration and non-renewal of the Franchise Agreement, (ii) 15 business days after the early termination of the Franchise Agreement for any reason other than an assignment of the Franchise Agreement in compliance with the terms and conditions thereof, or (iii) the 21st anniversary of the date of this Memorandum.

If and when the option is exercised, BMSI has the right to execute, acknowledge, and record a notice of exercise to give notice to the public of the exercise of the option, and Optionor hereby grants BMSI an irrevocable power of attorney, coupled with an interest, to execute, acknowledge, and record such a notice.

This Memorandum of Option is executed and effective as of the date at the beginning hereof.

Optionor:	**BMSI:**
_____ _____	Brake Masters Systems, Inc., an Arizona corporation
By: _____	By: _____
Its: _____	Its: _____

STATE OF _____)
) ss. ACKNOWLEDGEMENT
COUNTY OF _____)

The foregoing instrument, namely that certain MEMORANDUM OF OPTION, dated _____, 20__, consisting of two (2) pages including this one, was acknowledged before me this _____ day of _____, 20__, by _____ on behalf of _____.

(Seal and Expiration Date)

_____
Notary Public

STATE OF ARIZONA)
) ss. ACKNOWLEDGEMENT
County of Pima)

The foregoing instrument, namely that certain MEMORANDUM OF OPTION, dated _____, 20__, consisting of two (2) pages including this one, was acknowledged before me this _____ day of _____, 20__, by _____ on behalf of Brake Masters Systems, Inc., an Arizona corporation.
(Seal and Expiration Date)

_____
Notary Public

EXHIBIT G

BRAKE MASTERS GETTING STARTED MANUAL
TABLE OF CONTENTS
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1. OVERVIEW.....
1.1 Introduction [1 page]
1.2 General Business Information [1 page]
1.3 About This Manual [1 page]

2. BUSINESS PLANNING.....
2.1 Introduction [1 page]
2.2 Legal Assistance [1 page]
2.3 Business Planning [2 pages]
2.4 Business Formation [1 page]
2.5 Financing [2 pages]
2.6 Banking [1 page]
2.7 Accounting and Taxes [1 page]
2.8 Insurance [2 pages]
2.9 Business or Retail Licenses/Permits [1 page]

3. SITE SELECTION.....
3.1 Introduction [1 page]
3.2 Selection of Market Area [2 pages]
3.3 Market Evaluation [4 pages]
3.4 Site Evaluation [3 pages]
3.5 Site Approval Criteria [1 page]

4. SITE PREPARATION.....
4.1 Introduction [1 page]
4.2 Construction Specifications [1 page]
4.3 Setting Prices [1 page]
4.4 Exterior Design Requirements and Recommendations [2 pages]
4.5 Interior Design and Décor Requirements and Recommendations [4 pages]
4.6 Shop Layout [2 pages]
4.7 Equipment, Tools and Supplies [2 pages]

5. OPENING: STAFFING/ADVERTISING.....
5.1 Staffing [3 pages]
5.2 Advertising [5 pages]

6. TRAINING PREVIEW.....
6.1 Introduction [1 page]
6.2 Goals and Objectives [1 page]
6.3 Location and Hours [1 page]
6.4 Travel and Accommodations [1 page]
6.5 Wardrobe Requirements [1 page]
6.6 Class Information [2 pages]
6.7 Trainers and Training Materials [1 page]
6.8 Review of Completed Activities [1 page]

BRAKE MASTERS OPERATIONS MANUAL
TABLE OF CONTENTS
Copyright © Brake Masters Systems, Inc. 1995

1. FRANCHISOR OVERVIEWS .....
1.1 The Brake Masters® Competitive Advantage [2 pages]
1.2 Company Communications Policy [2 pages]
1.3 Community Involvement Philosophy [1 page]
1.4 Customer Service Philosophy [1 page]
1.5 Waste and Recycling Policy [2 pages]
1.6 Research & Development [1 page]
1.7 Marketing & Advertising [2 pages]
1.8 Confidential and Proprietary Information Policy [1 page]
1.9 Training [2 pages]
1.10 Field Support [1 page]

2. FRANCHISEE OVERVIEW .....
2.1 Standards of Conduct [1 page]
2.2 Communications [1 page]
2.3 Vendor Relations [2 pages]
2.4 Proprietary Marks [2 pages]
2.5 Marketing & Advertising [3 pages]
2.6 Decor & Equipment [2 pages]
2.7 Employee Uniforms, Tools and Safety Apparel [1 page]
2.8 Training [2 pages]

3. CUSTOMER RELATIONS.....
3.1 One Customer at a Time [1 page]
3.2 4-Step Management Program [5 pages]
3.3 Typical Situations and Suggested Actions [3 pages]
3.4 Customer Satisfaction Comment (CSC) Cards [1 page]
3.5 Customer Comment Survey [1 page]
3.6 Customer Environment Organization and Maintenance [2 pages]
3.7 Telephone Skills [2 pages]
3.8 Handling Compliments, Complaints and Follow-through [3 pages]
3.9 Complaints Received Through Other Agencies and Follow-Up [2 pages]

4. OPERATIONS .....
4.1 Scheduling and Maximum Team Performance [1 page]
4.2 Pricing Policies and Guidelines [2 pages]
4.3 How to Deal with the Customer [3 pages]
4.4 Procedures for Training a New Employee [2 pages]
4.5 Service Procedures [10 pages]

5. FINANCIAL
5.1 Sales Reporting [2 pages]
5.2 Banking [1 page]
5.3 Managing Cash and Credit Cards [3 pages]
5.4 Standards & Measurements for Profit, Productivity and Quality [1 page]
5.5 Controlling Costs of Goods Sold, Inventory and Purchasing [3 pages]
5.6 Accounts Payable and Receivable [2 pages]

6. OFFICE ORGANIZATION AND ADMINISTRATION
6.1 Confidential Files [1 page]
6.2 Corporate Financial Statements and Other Important Papers [1 page]
6.3 Setting Up and Maintaining Files [3 pages]

7. SAFETY
7.1 Physical Hazards and Safe Practices [2 pages]
7.2 Emergency Medical Kit and Training [1 page]
7.3 Fire Safety [1 page]
7.4 Customer Safety [1 page]
7.5 Security [1 page]

8. LEGAL
8.1 Better Business Bureau, Small Claims Court and Other Agencies [2 pages]
8.2 Insurance [1 page]
8.3 Hold Harmless [2 pages]
8.4 Legal Issues, Suits and Filings [1 page]
8.5 Confidential Information and Trade Secrets [1 page]

9. STAFFING
9.1 Staffing Options and Scheduling [1 page]
9.2 Staff Positions, Roles and Responsibilities [6 pages]
9.3 Guidelines for Evaluating Management Efforts [3 pages]

EXHIBIT H
CURRENT FRANCHISEES

INDEPENDENTLY OWNED AND OPERATING FRANCHISES
(as of November 30, 2019)

ARIZONA	
Flagstaff Auto Care LLC Joel Tipps, Jr. 6 South Milton Flagstaff, Arizona 86001 (520) 214-7000	Scottsdale Brake Master, LLC Khalid Baroudi 1901 North Scottsdale Road Scottsdale, Arizona 85257 (480) 949-0008
Prescott Auto Care, LLC Joel Tipps, Jr. 723 Miller Valley Prescott, Arizona 85301 (928) 541-0300	Loomis Automotive, LLC Michael James 17209 North Cave Creek Road Phoenix, Arizona 85635 (602) 765-9500
CALIFORNIA	
New Star Adventures, Inc. Lupe Bond & Javier Vega 2095 North Lake Avenue Altadena, California 91001 (626) 345-9777	Dennis Rogers 16893 Main Street Hesperia, California 92345 (760) 949-2039
Southern California Brake Masters, Inc.*[1] Don Goeres 2575 Brundage Lane Bakersfield, California 93304 (661) 869-0777	Adan Castareda 31760 Mission Trail, Unit A Lake Elsinore, California 92530 (909) 245-1600
Peltz Enterprises, Inc. Steven Peltz 238 Arneill Road Camarillo, California 93010 (805) 388-0777	Sal & Maria Nunez 20771 Bake Parkway, Unit A Lake Forest, California 92630 (949) 707-0177
AAP Automotive, Inc. Aliasghar Rezaee 7059 Topanga Canyon Boulevard Canoga Park, California 91303 (818) 704-0777	USA Brake, Inc.* Don Goeres, Pres. 24411 Main Street Newhall, CA 91321 (661) 259-1777
Southern California Brake Masters, Inc.* Don Goeres 9530 #18 Sierra Avenue Fontana, California 92335 (909) 434-0778	Worldwide Brake Specialists* Donald Goeres & Frank Peachey 3215 Hamner Avenue Norco, California 91760 (909) 739-0777
K & M Brake Specialists Kevin & Michael Blasic Partners 1200 W. Florida Hemet, CA 92543 (951) 658-8900	Ara Amin & Mardic Vartanian 8344 Reseda Boulevard Northridge, California 91324 (818) 341-1777

[1] A "*" Designates a franchisee whose owners and officers also hold positions at BMSI's Area Representative, L-2 Enterprises, Inc.

Peltz-Oxnard, Inc. Steven Peltz 2931 Saviers Road Oxnard, California 93033 (805) 385-4477	USA Brake, Inc. Don Goeres 1856 Los Angeles Avenue, #2 Simi Valley, California 93065 (805) 520-7771
Castaneda Brake Masters, LLP Adan Castaneda, Managing Partner 994 East Mission Boulevard Pomona, California 91766 (909) 623-0123	US Brake Masters Inc. Mohammad Shevidi 18556 Ventura Boulevard Tarzana, California 91356 (818) 342-0777
Worldwide Brake Specialists* Donald Goeres & Frank Peachey 400 W. Foothills Boulevard Pomona, California 91767 (909) 593-5338	Southern California Brake Masters,Inc.* Donald Goeres, Israel Linder & Frank Peachey 851 Thousand Oaks Blvd. Thousand Oaks, CA 92860 (805) 449-3677
USA Brake, Inc. Don Goeres 1705 W. Lugonia, Ste. 101 Redlands, California 92374 (909) 792-0351	Southern California Brake Masters, Inc.* Donald Goeres, Israel Linder & Frank Peachey 16940 Sherman Way Van Nuys, California 91406 (818) 342-2777
Southern California Brake Masters, Inc.* Donald Goeres 9450 Indiana Avenue. Riverside, California 92503 (909) 324-8777	EIL Enterprise, Inc. Israel Linder 2307 East Thompson Ventura, California 93003 (805) 653-0777
Abraham Rodriguez 1300 Armolite San Marcos, CA 92069 (760) 471-9777	Worldwide Brake, Inc. Don Goeres 14675 7th Street Victorville, California 92392 (760) 243-3211
Roxanne A. & Ali Reza Jafari 1547 Lincoln Boulevard Santa Monica, California 90401 (310) 458-1818	

INDEPENDENTLY OWNED FRANCHISEE STORES TO BE OPENED
(Between December 1, 2019 and November 30, 2020)

ARIZONA	
NONE	
CALIFORNIA	
NONE	
NEVADA	
NONE	

STORES OWNED AND OPERATED BY AFFILIATES OF BMSI
(as of November 30, 2019)

ARIZONA	
Brake Masters of Phoenix, LLC 11140 East Apache Trail Apache Junction, Arizona 85220 (480) 354-8585	Brake Masters of Phoenix, LLC 2344 East Baseline Road Mesa, Arizona 85204 (480) 813-3800
Brake Masters of Phoenix, LLC 431 S. Watson Rd. Buckeye, AZ 85326 (623) 327-9777	Brake Masters of Phoenix, LLC 6055 E. Southern, Ste. 105 Mesa, AZ 85206 (480) 957-7200
Brake Masters of Phoenix, LLC 2370 Highway 95 Bullhead City, Arizona 86442 (928) 704-4222	Brake Masters of Phoenix, LLC 10029 W. Happy Valley Parkway Peoria, AZ 85283 (623) 376-7200
Brake Masters of Phoenix, LLC 1649 East Florence Boulevard Casa Grande, Arizona 85222 (520) 876-4900	Brake Masters of Phoenix, LLC 9240 W. Peoria Avenue Peoria, AZ 85345 (623) 412-9100
Brake Masters of Phoenix, LLC 2600 East Germann Road Chandler, Arizona 85286 (480) 786-6900	Brake Masters of Phoenix, LLC 42415 North Vision Way Phoenix, Arizona 85086 (623) 925-9500
Brake Masters of Phoenix, LLC 111 North Dobson Chandler, Arizona 85224 (480) 857-7500	Brake Masters of Phoenix, LLC 4603 East Carefree Highway Phoenix, Arizona 85331 (480) 575-8777
Brake Masters of Phoenix, LLC 5578 West Bell Road Glendale, Arizona 85308 (602) 789-1800	Brake Masters of Phoenix, LLC 3812 East Thomas Road Phoenix, Arizona 85018 (602) 957-6500
Brake Masters of Phoenix, LLC 5180 West Peoria Glendale, Arizona 85302 (623) 486-2222	Brake Masters of Phoenix, LLC 5110 East Ray Road Phoenix, Arizona 85044 (480) 940-9100
Brake Masters of Phoenix, LLC 600 N. Dysart Rd. Goodyear, Arizona (623) 882-8300	Brake Masters of Phoenix, LLC 21560 S. Ellsworth Rd. Queen Creek, AZ 85242 (480) 457-1800

Brake Masters of Phoenix, LLC 3400 Stockton Hill Road Kingman, Arizona 86401 (928) 692-3150	Brake Masters of Phoenix, LLC 10620 North Scottsdale Road Scottsdale, Arizona 85254 (480) 607-5222
Brake Masters of Phoenix, LLC 370 El Camino Way Lake Havasu City, Arizona 86403 (928) 505-4100	Brake Masters of Phoenix, LLC 15550 North Hayden Road Scottsdale, Arizona 85260 (480) 922-0202
Brake Masters of Phoenix, LLC 13758 W. Bell Rd. Surprise, AZ 85374 (623) 975-6300	Brake Masters of Tucson, LLC* 4260 East Grant Road Tucson, Arizona 85712 (520) 323-9000
Brake Masters of Phoenix, LLC 3233 South Mill Tempe, Arizona 85282 (480) 966-4444	Brake Masters of Tucson, LLC* 1935 East Broadway Tucson, Arizona 85719 (520) 623-9000
Brake Masters of Phoenix, LLC 2721 W. Peoria (SW Corner of Peoria & I-17) Phoenix, Arizona 85029 (602) 944-3030	Brake Masters of Tucson, LLC* 1714 W. Speedway Blvd. Tucson, AZ 85745 (520) 622-7300
Brake Masters of Tucson, LLC* 645 East Vuelta Caminita Del Rio Oro Valley, Arizona 85737 (520) 624-5100	Brake Masters of Tucson, LLC* 7085 East 22nd Street Tucson, Arizona 85710 (520) 747-7000
Brake Masters of Tucson, LLC* 1750 East Fry Boulevard Sierra Vista, Arizona 85635 (520) 458-4000	Brake Masters of Tucson, LLC* 260 West Ina Road Tucson, Arizona 85704 (520) 297-1000
Brake Masters of Tucson, LLC* 3670 West Ina Road Tucson, Arizona 85653 (520) 572-1800	Brake Masters of Tucson, LLC* 6770 East Tanque Verde Tucson, Arizona 85715 (520) 721-9000
Brake Masters of Tucson, LLC* 5810 East Speedway Tucson, Arizona 85712 (520) 748-9000	Brake Masters of Tucson, LLC* 9549 East 22nd Street Tucson, Arizona 85711 (520) 747-7000
Brake Masters of Tucson, LLC* 3803 North Oracle Road Tucson, Arizona 85705 (520) 792-8000	Brake Masters of Tucson, LLC* 7855 East Speedway Tucson, Arizona 85710 (520) 886-0000
Brake Masters of Tucson, LLC* 351 West Valencia Road Tucson, Arizona 85706 (520) 294-4900	Brake Masters of Tucson, LLC* 9056 South Houghton Road Tucson, Arizona 85747 (520) 664-2000
Brake Masters of Tucson, LLC* 18835 S. I-19 Frontage Rd. Sahuarita, AZ 85614 (520) 477-0300	
CALIFORNIA	
Brake Masters Holdings SAC, Inc. 8000 Greenback Lane Citrus Heights, CA 95610 (916) 723-8000	Brake Masters Holdings SAC, Inc.* 106 Harding Boulevard Roseville, California 95678-2805 (916) 786-7800

Brake Masters Holdings SAC, Inc.* 8456 Elk Grove Boulevard. Elk Grove, California 95758 (916) 714-8585	Brake Masters Holdings SAC, Inc. 10221 Greenback Lane Roseville, CA 95678 (916) 774-1600
Brake Masters Holdings SAC, Inc.* 515 East Yosemite Avenue Manteca, California 95336-5806 (209) 239-7400	Brake Masters Holdings SAC, Inc.* 5780 Auburn Boulevard Sacramento, California 95841 (916) 338-5656
Brake Masters Holdings SAC, Inc.* 9348 Greenback Lane Orangevale, California 95662 (916) 988-0737	Brake Masters Holdings SAC, Inc.* 3261 Northgate Boulevard Sacramento, California 95833 (916) 921-0502
	Brake Masters Holdings SAC, Inc.* 1210 Tracy Boulevard Tracy, California 95376-3435 (209) 836-3500
NEW MEXICO	
Brake Masters of New Mexico, LLC 4900 San Mateo, North East Albuquerque, New Mexico 87109 (505) 880-1616	Brake Masters of New Mexico, LLC 5749 Gibson Boulevard, SE Albuquerque, New Mexico 87108 (505) 262-9555
Brake Masters of New Mexico, LLC 1200 Juan Tabo, North East Albuquerque, New Mexico 87112 (505) 296-9000	Brake Masters of New Mexico, LLC 2925 Coors Blvd., NW Albuquerque, New Mexico 87120 (505) 839-7800
Brake Masters of New Mexico, LLC 2247 Wyoming, North East Albuquerque, New Mexico 87112 (505) 292-7500	Brake Masters of El Paso, LLC 403 S. Solano Dr. Las Cruces, New Mexico 88001 (505) 527-1800
Brake Masters of New Mexico, LLC 3616 NM St. Hwy 528, North West Albuquerque, New Mexico 87124 (505) 890-1800	Brake Masters of New Mexico, LLC 634 Cerrillos Rd. Santa Fe, New Mexico 87505 (505) 988-7500
Brake Masters of New Mexico, LLC 7300 San Antonio Boulevard, North East Albuquerque, New Mexico 87109 (505) 821-0000	Brake Masters of New Mexico, LLC 3147 Cerrillos Rd. Santa Fe, NM 87507 (505) 303-7222
NEVADA	
Brake Masters of Nevada, LLC 8080 South Eastern Avenue Las Vegas, Nevada 88123 (702) 454-0003	Brake Masters of Nevada, LLC 1910 N. Rock Springs Dr. Las Vegas, Nevada 88218 (702) 454-00006
Brake Masters of Nevada, LLC 4620 West Craig Road North Las Vegas, Nevada 89032 (702) 454-0500	Brake Masters of Nevada, LLC 3450 East Tropicana #100 Las Vegas, Nevada 89121 (702) 454-7100
Brake Masters of Nevada, LLC 460 Marks St. Henderson, NV 89104 (725) 726-2777	

TEXAS	
Brake Masters of El Paso, LLC 3150 North Lee Trevino El Paso, Texas 79936 (915) 633-6400	Brake Masters of El Paso, LLC 5935 Cromo Drive El Paso, Texas 79912 (915) 845-1000
Brake Masters of El Paso, LLC 1100 McRae Blvd. El Paso, Texas 79925 (915) 595-4400	Brake Masters of El Paso, LLC 9303 Dyer St. El Paso, Texas 79924 (915) 875-1888
Brake Masters of El Paso, LLC 1380 George Dieter El Paso, Texas 79936 (915) 859-4200	

AFFILIATE STORES TO BE OPENED
(Between December 1, 2019 and November 30, 2020)

ARIZONA	
CALIFORNIA	
NONE	
NEW MEXICO	
Pat D'Arco Highway Bernalillo, New Mexico	
NEVADA	
TEXAS	
Paseo del Norte El Paso, Texas	Joe Battle El Paso, Texas

EXHIBIT I

FORMER FRANCHISEES

Franchisees whose agreements were terminated, cancelled or not renewed, or who ceased doing business during the period from December 1, 2018 through November 30, 2019 are listed in the chart below.

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

Franchisee Name, City, State and Telephone Number	Store Location	Date of Termination	Notes
ARIZONA			
	NONE		
CALIFORNIA			
	NONE		
NEVADA			
	NONE		

STORES OWNED AND OPERATED BY AFFILIATES OF BMSI

Owner Name, City, State and Telephone Number	Store Location	Date of Termination	Notes
ARIZONA			
	NONE		
CALIFORNIA			
	NONE		
NEW MEXICO			
	NONE		
TEXAS			
	NONE		

EXHIBIT J

BRAKE MASTERS SYSTEMS, INC.

FINANCIAL STATEMENTS

BRAKE MASTERS SYSTEMS, INC.

Audited Financial Statements

For the years ended November 30, 2019, 2018 and 2017

BRAKE MASTERS SYSTEMS, INC.

CONTENTS

	Page
Independent Auditor's Report	1
Balance Sheets	2
Statements of Income	3
Statements of Stockholders' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9

LUDWIG KLEWER & RUDNER PLLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Brake Masters Systems, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of Brake Masters Systems, Inc. (an S Corporation), which comprise the balance sheets as of November 30, 2019, 2018, and 2017, and the related statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brake Masters Systems, Inc. as of November 30, 2019, 2018, and 2017, 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.

Ludwig Klewer & Rudner PLLC

February 10, 2020

Chris Wm. Ludwig, CPA Julie S. Klewer, CPA, MBA Eric S. Rudner, CPA
4783 East Camp Lowell Drive Tucson, Arizona 85712
www.lkrcpas.com t 520 545 0500 f 520 545 0555
Certified Public Accountants & Consultants

BRAKE MASTERS SYSTEMS, INC.

BALANCE SHEETS
November 30, 2019, 2018, and 2017

ASSETS

	2019	2018	2017
Current assets:			
Cash and cash equivalents	$ 137,417	$ 102,932	$ 249,182
Accounts receivable, net of allowance for doubtful accounts of $21,314, $9,102 and $35,972	103,316	83,685	83,936
Due from affiliate	194,567	223,583	98,383
Prepaid expenses	435	690	3,343
Restricted cash	697,451	672,191	632,561
Total assets	$ 1,133,186	$ 1,083,081	$ 1,067,405

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable and accrued expenses	$ 57,033	$ 40,636	$ 60,032
Liability for restricted cash	-	672,191	632,561
Total current liabilities	57,033	712,827	692,593
Stockholders' equity:			
Common stock, no par value; 100,000 shares authorized, 10,000 shares issued and outstanding	100,000	100,000	100,000
Less treasury stock, 6,000 shares at cost	(60,000)	(60,000)	(60,000)
Retained earnings	1,036,153	330,254	334,812
Total stockholders' equity	1,076,153	370,254	374,812
Total liabilities and stockholders' equity	$ 1,133,186	$ 1,083,081	$ 1,067,405

See independent auditor's report and accompanying notes.

BRAKE MASTERS SYSTEMS, INC.

STATEMENTS OF INCOME
For the years ended November 30, 2019, 2018, and 2017

	2019	2018	2017
Revenues:			
Franchise royalty fees	$ 1,037,298	$ 1,023,075	$ 1,009,644
Less: commissions	(443,021)	(422,736)	(427,236)
Net franchise royalty fees	594,277	600,339	582,408
Initial franchise fees	-	3,500	-
Advertising and support fees	407,801	-	-
Total revenues	1,002,078	603,839	582,408
Operating expenses:			
Accounting	13,860	13,215	12,600
Administration and management fees	360,000	360,000	360,000
Advertising	389,245	970	1,028
Bad debt	12,346	9,880	10,604
Legal	12,724	13,296	16,919
Licenses and fees	2,810	2,570	4,431
Office	513	2,487	1,077
Telephone	74	552	604
Travel and entertainment	1,711	5,427	7,037
Total operating expenses	793,283	408,397	414,300
Income from operations	208,795	195,442	168,108
Other income:			
Interest income	3,961	-	11
Miscellaneous	952	-	-
Total other income	4,913	-	11
Net income	$ 213,708	$ 195,442	$ 168,119

See independent auditor's report and accompanying notes.

BRAKE MASTERS SYSTEMS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY
For the years ended November 30, 2019, 2018, and 2017

	Common Stock		Treasury	Retained	
	Shares	Amount	Stock	Earnings	Total
Balance, November 30, 2016	10,000	$ 100,000	$ (60,000)	$ 416,693	$ 456,693
Stockholders' distributions	-	-	-	(250,000)	(250,000)
Net income	-	-	-	168,119	168,119
Balance, November 30, 2017	10,000	100,000	(60,000)	334,812	374,812
Stockholders' distributions	-	-	-	(200,000)	(200,000)
Net income	-	-	-	195,442	195,442
Balance, November 30, 2018	10,000	100,000	(60,000)	330,254	370,254
Accounting principles change	-	-	-	672,191	672,191
Stockholders' distributions	-	-	-	(180,000)	(180,000)
Net income	-	-	-	213,708	213,708
Balance, November 30, 2019	10,000	$ 100,000	$ (60,000)	$ 1,036,153	$ 1,076,153

See independent auditor's report and accompanying notes.

BRAKE MASTERS SYSTEMS, INC.

STATEMENTS OF CASH FLOWS
For the years ended November 30, 2019, 2018, and 2017

	2019	2018	2017
Cash flows from operating activities:			
Net income	$ 213,708	$ 195,442	$ 168,119
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Allowance for doubtful accounts	12,212	(26,870)	894
Changes in operating assets and liabilities:			
Accounts receivable	(31,843)	27,121	3,305
Due from affiliate	(150,984)	(325,200)	(114,437)
Prepaid expenses	255	2,653	(2,380)
Restricted cash	(25,260)	(39,630)	11,765
Accounts payable and accrued expenses	16,397	(19,396)	947
Liability for restricted cash	-	39,630	(11,765)
Total adjustments	(179,223)	(341,692)	(111,671)
Net cash (used in) provided by operating activities	34,485	(146,250)	56,448
Cash flows from investing activities	-	-	-
Cash flows from financing activities	-	-	-
Net change in cash and cash equivalents	34,485	(146,250)	56,448
Cash and cash equivalents, beginning of year	102,932	249,182	192,734
Cash and cash equivalents, end of year	$ 137,417	$ 102,932	$ 249,182

Supplemental disclosure of noncash investing and financing activities:

During the years ended November 30, 2019, 2018, and 2017, due from affiliate balances of $180,000, $200,000 and $250,000, respectively, were distributed to the stockholders.

During the year ended November 30, 2019, the liability for restricted cash as of November 30, 2018 was restated to retained earnings due to a change in accounting principle related to the implementation of ASC 606.

See independent auditor's report and accompanying notes.

1. Organization

Brake Masters Systems, Inc. (the Company), was incorporated in Arizona in December 1990; however, it was dormant until December 3, 1991, when its stock was issued. The Company offers franchises for the operation of independently owned and operated businesses known as "Brake Masters", which specialize in providing the public with brake replacement and repair.

2. Summary of Significant Accounting Policies

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company's restricted cash has not been included with cash and cash equivalents.

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts up to $250,000 per institution. At November 30, 2019, 2018, and 2017, the Company had $669,109, $586,082, and $720,053, respectively, in uninsured cash balances that included restricted cash. Periodically throughout the year, the Company's cash balances may exceed the FDIC insurance coverage limit. Management does not anticipate nonperformance by the institutions.

Accounts Receivable

The Company has established normal trade relationships with its franchisees, which are businesses located in Arizona and California. Franchisees are expected to pay the Company franchise royalty fees within ten days after the close of a month. Accounts receivable are uncollateralized obligations. Accounts receivable are amounts due from franchisees and are stated net of allowances.

Account balances over ninety days old are considered delinquent. The Company reserves any accounts receivable that have been outstanding more than ninety days as doubtful accounts. Delinquent accounts receivable are written off based on the evaluation of a store and specific circumstances, such as a store closing. Payments of accounts receivable are applied to the earliest unpaid royalty fee. Delinquent balances are subject to a penalty of 10% of the amount due together with interest at the maximum usury rate allowed by law, but not more than 1.5% per month, from the date due until payment is received in full. At November 30, 2019, 2018, and 2017, accounts receivable of $21,314, $9,102, and $35,972, respectively, were considered delinquent.

Revenue Recognition

Effective December 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers* and applied it to contracts that were not completed as of December 1, 2018 using the modified retrospective method. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. Prior period amounts have not been restated and continue to be reported under the accounting standards in effect for those periods.

The Company's adoption impact related to the recognition of advertising and support fees collected from franchisees restricted for research, development, quality assurance, promotion and advertising that was previously recorded as a liability for restricted cash. The Company does not expect a material impact to its statements of income on an ongoing basis from the adoption of the new standard.

2. Summary of Significant Accounting Policies, Continued

Revenue Recognition, continued

The cumulative effect to the Company's December 1, 2018 balance sheet from the adoption of the new revenue standard was:

	Balance at November 30, 2018	Adjustments due to ASC 606	Balance at December 1, 2018
Liability for restricted cash	$ 672,191	$ (672,191)	$ -
Retained earnings	330,254	672,191	1,002,445

As a result of adopting ASC 606, total revenues were increased by $412,714, and total expenses were increased by $387,455 for the year ended November 30, 2019.

The Company's revenues are derived primarily from the sale of franchises, royalty fees and advertising and support activity fees. The Company records revenue in accordance with ASC 606. The Company identifies the performance obligations, determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes revenue when control of goods or services is transferred to the customer. There are pre-opening performance obligations defined in the franchise agreement. In addition, a portion of each franchise fee is allocated to the symbolic intellectual property related to the Brake Masters brand. The Company recognizes initial franchise fee revenue allocated to pre-opening performance obligations as each of those performance obligations are satisfied. The initial franchise fee revenue that is allocated to the symbolic intellectual property is amortized into revenue over the life of the franchise agreement. The Company has determined that the unamortized portion of prior franchise fee revenue related to symbolic intellectual property as of December 1, 2018 is not material. Franchise royalty and advertising and support fees are calculated, per the terms of the franchise agreement, based on a defined percentage of franchisee sales and are recognized when earned.

Restricted Cash

The Company is contractually obligated to use advertising and support fees collected from franchisees for research, development, quality assurance, promotion, and advertising. When cash is collected, it is deposited into a segregated restricted cash account and recorded as advertising and support fee revenue. The restricted cash balance represents the cumulative advertising and support revenue collected over related expenditures.

Property and Equipment

Property and equipment is stated at cost and depreciated on a straight-line basis over estimated useful lives ranging from five to seven years. Maintenance and repairs are charged to expense as incurred. Upon the retirement or disposition of equipment, the related cost and accumulated depreciation are removed and the gain or loss is recorded. The Company's property and equipment was fully depreciated at November 30, 2019, 2018, and 2017.

Intangible Assets

The original trademark and other intangible assets are recorded at cost and are amortized on a straight-line basis over their estimated useful and regulatory lives of fifteen years. Cost and accumulated amortization of intangible assets was $95,884 at November 30, 2019, 2018, and 2017.

Advertising Costs

The Company expenses advertising costs as incurred. The Company does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

2. Summary of Significant Accounting Policies, Continued

Income Taxes

The Company elected to become an S Corporation effective December 1, 2005. Under Subchapter S of the Internal Revenue Code, the Company has elected not to be taxed as a corporation, and the stockholders have consented to include the taxable income or loss on their individual income tax returns. There were no taxes paid at the Company level during the years ended November 30, 2019, 2018, and 2017.

The Company's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of November 30, 2019, management is not aware of any uncertain tax positions that are potentially material.

3. Franchising Operations

Significant Commitments and Obligations

The Company is obligated, in accordance with the terms of the existing franchise agreements, to provide the following initial opening supervision, assistance and services: initial training program, on-site grand opening assistance, and an operations manual. During the year ended November 30, 2019, there was no change in franchises, resulting in a total of twenty-nine franchises in operation at the end of the fiscal year. In addition, there were another seventy outlets in operation at the end of the fiscal year that are owned by six affiliates of the Company, Brake Masters of Tucson, LLC, Brake Masters of New Mexico, LLC, Brake Masters of Phoenix, LLC, Brake Masters of Sacramento, Inc., Brake Masters of El Paso, LLC, and Brake Masters of Nevada, LLC.

Initial Franchise Fee

During the years ended November 30, 2019, 2018, and 2017, the fee charged to purchase an initial franchise was $22,950. There were no new franchises sold during any of these years. During the years ended November 30, 2019, 2018, and 2017, franchise transfer fees earned was $-0-, $3,500 and $-0-, respectively.

Royalty and Advertising and Support Fees

Under the terms of the franchise agreement, franchisees are required to pay the Company 5% of gross sales as a royalty fee and 1% of gross sales as an advertising and support fee. The Company is required to deposit advertising and support fees in a separate bank account and use these funds, at its discretion, for research, development, quality assurance, advertising, and promotion to assure and enhance the name, goodwill, reputation, and quality of Brake Masters' goods and services. The Company cannot use more than 25% of the advertising and support fees collected for operating expenses related to the administration of the advertising and support fees. The Company's affiliates do not pay a royalty fee but are required to pay the advertising and support fees in an amount equal to the lesser of 1% of gross sales or the total advertising and support fees paid by all of the independent franchisees.

For the years ended November 30, 2019, 2018, and 2017, the balance of restricted cash associated with unexpended advertising support fees collected from franchisees was $697,451, $672,191, and $632,561, respectively. As discussed in Note 2, the Company adopted ASC 606, *Revenue from Contracts with Customers* under the modified retrospective method. As a result, the liability for restricted cash related to the unexpended advertising and support fees collected as of November 30, 2018 was adjusted to zero with a corresponding increase to retained earnings as of December 1, 2018.

3. Franchising Operations, Continued

Royalty and Advertising and Support Fees, continued

There was an additional $30,599, $24,564, and $25,173 in accrued advertising and support fees to be paid by independent franchisees and $17,319, $16,236, and $12,909 to be paid by affiliates at November 30, 2019, 2018, and 2017, respectively. During the years ended November 30, 2019, 2018, and 2017, there were $387,455, $353,911, and $418,377, respectively, in related expenditures made.

The following is a reconciliation of the above details for restricted cash for the years ended November 30, 2019, 2018, and 2017:

	2019	2018	2017
Cash available at December 1,	$ 672,191	$ 632,561	$ 644,326
Collections from franchisees	201,422	198,999	200,173
Collections from affiliates	206,379	194,542	206,404
Interest earnings and miscellaneous receipts and expenses	4,914	-	35
Expenditures made during the fiscal year	(387,455)	(353,911)	(418,377)
Cash available at November 30,	$ 697,451	$ 672,191	$ 632,561

4. Related Party Transactions

During each of the years ended November 30, 2019, 2018, and 2017, the Company paid $360,000 as an administration and management fee to the affiliate Auto Brakes, Inc., a company owned by the stockholders of the Company, for using the affiliates' facilities and management personnel.

At November 30, 2019, 2018, and 2017, there were outstanding balances of $194,567, $223,583, and $98,383, respectively, due from the affiliate Brake Masters of Tucson, LLC, a company owned by the stockholders of the Company.

5. Commitments and Contingencies

During the year ended November 30, 1996, the Company entered into an area representative agreement with a corporation to support franchisees located in southern California. In return for these services, the Company pays this corporation 50% of the royalty fees collected from the franchisees located in the southern California area. The Company has recognized $443,021, $422,736, and $427,236 as expense under this agreement for the years ended November 30, 2019, 2018, and 2017, respectively, and $56,679, $40,892, and $57,845 is included in accounts payable and accrued expenses at November 30, 2019, 2018, and 2017, respectively.

6. Change in Accounting Principle

Effective December 1, 2018, the Company changed its method of accounting for revenue to comply with ASC 606, *Revenue from Contracts with Customers*. As a result of this change, based on the modified retrospective method, the liability for restricted cash was decreased, and retained earnings was increased, in the amount of $672,191.

7. Subsequent Events

The Company is unaware of any subsequent events as of February 10, 2020, the date the financial statements were available to be issued.

EXHIBIT K

AGENTS FOR SERVICE OF PROCESS

BMSI's statutory agent for service of process in its state of incorporation is:

Robert A. Fortuno
2200 E. River Road, Suite 110
Tucson, AZ 85718

In addition, BMSI's statutory agent for service of process in the following states is:

California *(Franchise Investment Law Matters)*	Commissioner of Business Oversight 320 W. 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7505
California *(Other Matters)*	CT Corporation System 818 W. 7th Street Los Angeles, CA 90017 (213) 627-8252

AREA REPRESENTATIVE AGREEMENT

Dated as of December 31, 1996

as

AMENDED AND RESTATED

as of May 1, 1999

by and between

BRAKE MASTERS SYSTEMS, INC.

and

L-2 ENTERPRISES, INC.

TABLE OF CONTENTS

PAGE

1. APPOINTMENT. 1
   1.1. System Support 1
   1.2. Marketing 1
   1.3. Franchisor Stores in the Region 1

2. TERM AND RENEWALS 2
   2.1. Initial Term 2
   2.2. Renewal Option 2
   2.3. Renewal by Mutual Agreement 2

3. PAYMENTS 2
   3.1. Payments to Area Representative 2
   3.2. Exclusions 2
   3.3. Taxes and Other Expenses 2

4. OBLIGATIONS OF AREA REPRESENTATIVE 3
   4.1. Services to Franchisees 3
      4.1.1. Training 3
      4.1.2. Site Selection 3
      4.1.3. Advertising 3
      4.1.4. Assistance 3
      4.1.5. Inspections 3
      4.1.6. Contract Enforcement 3
      4.1.7. Nondiscrimination 4
   4.2. Area Representative Information 4
   4.3. Administrative Office 4
   4.4. Staffing 4
      4.4.1 Linder 4
      4.4.2 Peachey 4
      4.4.3 Goeres 4
      4.4.4 Field Representatives 4
   4.5. Insurance 4
      4.5.1. Required Insurance 4
      4.5.2. Additional Conditions 5
      4.5.3. Adjustments 5
   4.6. Covenant Not To Compete 5
      4.6.1. Competition 5
      4.6.2. Employees 5
      4.6.3. Modification 6
   4.7. System Compliance 6
   4.8. Conduct 6
   4.9. Indemnification 6
   4.10 Costs of Dispute Resolution 6

5. MANUALS 7

6. PROPRIETARY RIGHTS 7
6.1. License 7
6.2. Ownership 7
6.3. Confidentiality 7
6.4. Usage 7
6.5. Notice 8
6.6. Area Representative's Names 8
6.7. Defense of the Marks 8

7. TRANSFER 8
7.1. Ownership Interest in Area Representative 8
7.2. Restrictions on Transfer by Area Representative 9
7.3. Conditions to Transfer 9
7.3.1. Franchisor's Right of First Refusal 9
7.3.2. General Conditions 9
7.4. Continuing Obligations 9
7.5. Transfer by Franchisor 9

8. TERMINATION 10
8.1. For Cause Without Right to Cure 10
8.1.1. Misrepresentation 10
8.1.2. Repeated Breach 10
8.1.3. Seizure 10
8.1.4. Criminal Conduct 10
8.1.5. Default Under Other Agreements 10
8.2. For Cause with Right to Cure 10
8.2.1. Payment Defaults 10
8.2.2. Other Defaults 10
8.3. Consequences of Termination 11
8.3.1. Payments 11
8.3.2. Proprietary Rights 11
8.3.3. Return of Materials 11
8.4. Continuing Obligations 11
8.4.1. Liabilities 11
8.4.2. Noncompetition. 11
8.5. Other Remedies. 11

9. DISPUTE RESOLUTION 12
9.1. Mediation. 12
9.2. Arbitration. 12
9.3. Litigation. 12

10. MISCELLANEOUS 12
10.1. Inurement 12
10.2. Relationship of Parties 12
10.2.1. Independent Contractor 12
10.2.2. Conduct of Business 12
10.3. Notices 13
10.4. Time 14
10.5. Consents 14
10.6. Waiver and Delay 14
10.7. Interpretation 14
10.8. Days 14
10.9. Applicable Law 14
10.10. Severability 14
10.11. Amendment 15
10.12. Entire Agreement 15
10.13. Acknowledgements 15

DEFINED TERMS

Term	Section/Paragraph for Location of Definition
Affiliate	1.3
Agreement	First Paragraph
Amendment Date	First Paragraph
Area Representative	First Paragraph
Cost of Sales	8.2.2
Franchise Agreement	Recital B
Franchisor	First Paragraph
Goeres	1.3
Gross Sales	8.2.2
Information	Recital A
Inspection Reports	8.2.2
Linder	1.3
Manuals	4.7
Marks	Recital A
Member(s) of the L-2 Group	1.3
Peachey	1.3
Region	Recital C
System	Recital A
Transfer	7.2

AMENDED AND RESTATED
AREA REPRESENTATIVE AGREEMENT

THIS AMENDED AND RESTATED AREA REPRESENTATIVE AGREEMENT ("**Agreement**") is made effective as of the 1st day of May, 1999 (the "**Amendment Date**"), as an amendment to and restatement of the Area Representative Agreement dated as of 31 day of December, 1996, as hereby amended, by and between **BRAKE MASTERS SYSTEMS, INC.**, an Arizona corporation ("**Franchisor**"), and **L-2 ENTERPRISES, INC.**, a California corporation ("**Area Representative**").

A. Franchisor and its affiliate, Auto Brakes, Inc., as a result of the expenditure of time, skill, effort and money, developed and Franchisor owns, and licenses others to use, a distinctive system for operating and marketing stores known as "**BRAKE MASTERS**" which primarily service and repair automobile brakes, using distinctive service methods, procedures, advertising formats, promotional plans, market research methods, and record and bookkeeping methods (collectively the "**Information**") in connection with certain proprietary trade names, service marks, logo types, trade symbols, emblems, signs, slogans, insignias, trademarks, designs and copyrights, now owned, or hereinafter acquired, adopted or developed and designated for use, together with all the goodwill in connection therewith (collectively the "**Marks**"); all of which are valuable property rights and hereinafter collectively referred to as the "**System.**"

B. Franchisor has developed a standard franchise agreement for licensing the use of the System (the "**Franchise Agreement**"), and tools, literature, know-how, practices and plans for the marketing of such franchises.

C. Area Representative wishes to obtain the right and obligation to provide certain support and services to franchisees within the California Counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura as they exist on the Amendment Date (the "**Region**"), subject to the terms and conditions hereinafter set forth.

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

1. **APPOINTMENT.**

1.1. System Support. Subject to the terms and conditions of this Agreement, and only with respect to the Region, Franchisor hereby grants to Area Representative, and Area Representative hereby accepts, the right and obligation to provide certain support and services to franchisees, and a license to use the Marks and the Information only for the purposes specified in this Agreement.

1.2. Marketing. Nothing herein shall constitute a license for Area Representative to market, offer or grant franchises. Franchisor makes no representations about the number of franchises that it may grant in the Region.

1.3. Franchisor Stores in the Region. Franchisor and its Affiliates reserve the right to own and operate BRAKE MASTERS stores in the Region. For purposes of this Agreement, "**Affiliate**" includes Eric Laytin and Shalom Laytin with respect to Franchisor; and Israel Linder

("Linder"), Donald M. Goeres ("**Goeres**"), and Frank Peachey ("**Peachey**") (collectively the "**L-2 Group**" and individually "**Member(s) of the L-2 Group**") with respect to Area Representative; Affiliate also means any entity or other person directly or indirectly 50% or more owned, owning or under common ownership with a party. Area Representative will not be obligated under this Agreement to provide support or services to stores owned and operated in the Region by Franchisor or its Affiliates, and Area Representative will not be entitled under this Agreement to any payments with respect to such stores.

2. **TERM AND RENEWALS.**

2.1. Initial Term. This Agreement became effective on December 31, 1996, was amended as of the date specified in the first paragraph, and shall continue for a term of ten years from the Amendment Date and expire on April 30, 2009, unless terminated as hereinafter provided.

2.2. Renewal Option. Area Representative may, at its option, renew this Agreement for two five-year terms provided that Area Representative is not then in default, and provided further that Area Representative has not been in default under Sections 4.1.5 or 4.4 of this Agreement. Area Representative shall exercise a renewal option by written notice to Franchisor given at least six months prior to the expiration of the then current term. Area Representative's failure to give timely notice shall be deemed a rejection of the renewal option.

2.3. Renewal by Mutual Agreement. If Area Representative does not qualify for renewal under Section 2.2, or at the end of the second renewal term under Section 2.2 (if exercised), neither party shall be obligated to renew this Agreement, but they may do so upon such terms as they may mutually agree.

3. **PAYMENTS.**

[CONFIDENTIAL SECTION OMITTED INTENTIONALLY]

4. OBLIGATIONS OF AREA REPRESENTATIVE.

4.1. Services to Franchisees.

4.1.1. Training. Area Representative shall be responsible for conducting all initial and on-going training programs for franchisees in the Region, as specified by Franchisor.

4.1.2. Site Selection. Area Representative shall perform all site selection (and relocation) assistance obligations of Franchisor under the Franchise Agreements for franchisees in the Region (other than Affiliates of Franchisor). Area Representative shall provide Franchisor with such site evaluation information as Franchisor shall reasonably request, and shall provide Franchisor with monthly status reports on all site selection activities in the Region. Franchisor shall have the sole final authority to approve the location for any store to be opened or relocated in the Region. Franchisor's approval does not warrant a successful location.

4.1.3. Advertising. Franchisor shall retain sole authority to review and approve franchisee advertising in the Region as provided in the Franchise Agreement. At Franchisor's request, Area Representative will assist with the implementation of any advertising campaign in the Region. Franchisor has sole authority to respond to negative publicity regarding the System.

4.1.4. Assistance. Area Representative shall provide all franchisees in the Region (other than Affiliates of Franchisor) with advice and assistance regarding the management and operation of their BRAKE MASTERS stores, by telephone or on site if required, when reasonably requested by franchisee or deemed necessary by Area Representative or Franchisor.

4.1.5. Inspections. Area Representative shall maintain and enforce by regular inspections all of the System standards for product and service quality, uniformity and cleanliness for all franchised stores operating within the Region (other than stores operated by Affiliates of Franchisor). A qualified field representative of Area Representative shall inspect each franchised store operating in the Region (other than stores operated by Affiliates of Franchisor) at least once each week or as otherwise deemed necessary by Franchisor, complete written Inspection Reports on Franchisor's forms for each inspection, and immediately provide Franchisor with copies. Franchisor reserves the right to inspect any BRAKE MASTERS store in the Region at any time.

4.1.6. Contract Enforcement. Area Representative shall not collect or hold any payments owed to Franchisor and, if any such payments are delivered to Area Representative, Area Representative shall immediately forward them to Franchisor. Subject to Franchisor's prior approval, Area Representative shall enforce the terms of the Franchise Agreements for stores in the Region, including without limitation the issuance of notices of default and termination. Area Representative may not, however, assert claims against franchisees or defend Franchisor in any mediation, arbitration or litigation. In the event of any such proceeding, which shall be controlled by Franchisor, Franchisor and Area Representative shall equally share the costs (including reasonable attorneys' fees) and any recovery.

4.1.7. **Nondiscrimination.** Except as otherwise reasonably warranted for differing circumstances, Area Representative shall deal with all franchisees in the Region in an even-handed and impartial manner and shall not engage in any practices which would tend to give preference to or show favoritism toward any one or more of them over others.

4.2. **Area Representative Information.** Area Representative shall provide Franchisor with all necessary information reasonably requested by Franchisor regarding Area Representative and its officers, directors and management level staff, and all changes thereto, for the purpose of fully complying with federal and California franchise registration and disclosure laws.

4.3. **Administrative Office.** Area Representative shall maintain an administrative office in the Region for all activities conducted pursuant to this Agreement. The location of the office shall be mutually convenient to all parts of the Region and subject to approval by Franchisor.

4.4. **Staffing.**

4.4.1. **Linder.** Linder shall devote his full-time, personal best efforts to, and be personally involved in, the performance of the business operated hereunder or other BRAKE MASTERS business.

4.4.2. **Peachey.** Beginning as of the Amendment Date, Peachey shall devote his full-time, personal best efforts to, and be personally involved in, the performance of the business operated hereunder or other BRAKE MASTERS business.

4.4.3. **Goeres.** The parties hereto acknowledge, agree and consent to Goeres simultaneously being both an employee and officer of Franchisor and a principal of Area Representative. Beginning as of the Amendment Date, Goeres shall devote approximately 50% of his time solely to the business of the Franchisor, and shall, as a separate matter, act as a consultant to and be involved in the operations of Area Representative and shall devote his personal best efforts to, and be personally involved in, the performance of the business operated hereunder. In the event of a conflict of interest, the interests of Franchisor shall be paramount and control. Area Representative hereby waives any and all existing and future conflicts of interest.

4.4.4. **Field Representatives.** Area Representative shall maintain an adequate and competent staff who shall assist Area Representative in carrying out its duties under this Agreement and provide responsible, timely and effective assistance to franchisees in the Region. Area Representative shall have at least one full-time qualified field representative for each eight BRAKE MASTERS stores in the Region (other than stores operated by Affiliates of Franchisor) or such number as is otherwise deemed necessary by Franchisor. Each such field representative shall be selected by Area Representative, subject to the approval of Franchisor.

4.5. **Insurance.**

4.5.1. **Required Insurance.** Area Representative shall maintain at all times, at a minimum: (a) all insurance required by law including, without limitation, workers'

compensation, social security, unemployment compensation and disability; (b) comprehensive general public liability insurance in the amount of not less than $1,000,000 combined single limit; and (c) errors and omissions insurance in the amount of not less than $1,000,000 combined single limit to the extent such insurance is available and not prohibitively expensive.

4.5.2. Additional Conditions. All required insurance shall be written by an insurance company acceptable to Franchisor and rated "A" or better in Best's Insurance Guide, shall name Franchisor as co-insured and shall provide the same advance notice of cancellation or adverse modification to be given to Franchisor as Area Representative. Notwithstanding that Franchisor may not be named as an insured in violation of this Agreement, it shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its servants, agents, officers, directors or employees by reason of Area Representative's negligence or the negligence of its agents or employees. Certificates for insurance for at least the minimum required coverage specified herein shall be delivered to and retained by Franchisor. Each required insurance policy shall be renewed, and a duplicate policy or certificate shall be delivered to Franchisor at least 30 days prior to the expiration date of each existing policy. Should Area Representative fail to procure or maintain any required insurance policy, Franchisor may, at its option, without waiving its rights to declare a material default hereunder, procure the same in Area Representative's name and may bill Area Representative for all of the costs in obtaining and maintaining the same, which costs shall be due and payable by Area Representative immediately upon demand.

4.5.3. Adjustments. Franchisor may as of January 1 of each or any year during the term of this Agreement, in its discretion based on what is then reasonable and customary in the industry, add additional types of coverage to be maintained by Area Representative and/or increase the limits of any type of coverage.

4.6. Covenant Not To Compete.

4.6.1. Competition. Without the express prior written consent of Franchisor, neither Area Representative, nor any of its staff performing management functions, nor any Member of the L-2 Group, and none of the immediate family members of any such individual, shall directly or indirectly, whether as an individual proprietor, partner, shareholder, associate, consultant or otherwise, market, advise, engage in or acquire any interest (including any interest in a corporation or other entity) in any automotive repair business. The restrictions imposed by this Subsection 4.6.1 shall be applicable (a) during the term of this Agreement, anywhere in the United States, its territories and possessions, Mexico and Canada, and (b) for a period of two years following the expiration, termination or Transfer (as defined in Section 7.1) of this Agreement for any reason, anywhere within the Region and anywhere within 25 miles from any BRAKE MASTERS store wherever located.

4.6.2. Employees. Neither Area Representative nor any Member of the L-2 Group shall, directly or indirectly, during the term of this Agreement, or following the expiration, termination or Transfer of this Agreement for any reason, seek to employ any person who is at that time employed by Franchisor, or by any Affiliate or franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

4.6.3. **Modification.** Each of the covenants set forth in this Section 4.6 shall be construed as independent of any other covenant or provision of this Agreement. Franchisor reserves the right to reduce the scope of the obligations under these covenants unilaterally and without the consent of any other person or entity, effective upon giving notice thereof. In the event that any of the restrictions contained in this Section 4.6 are found by a court of competent jurisdiction to be unlawful as to scope or duration or otherwise invalid, it is the parties' intention that this Section 4.6 not be declared ineffective in its totality, but that the provision be declared invalid only to the extent of the illegality determined by the court, and that the court define applicable limits to such provision, which shall continue as so revised, in full force and effect. Following the court's ruling, this Agreement shall automatically be deemed amended to restate the limits of the restrictions in accordance with the court's order.

4.7. **System Compliance.** To establish and maintain uniform standards of operation, Franchisor has developed various confidential manuals for the operation of the System (the **"Manuals"**). Franchisor retains the right to make additions, deletions or revisions to the Manuals as it may deem reasonable or necessary from time to time. Area Representative agrees to enforce compliance by all franchisees in the Region with Franchisor's reasonable standards as stated in the Manuals, as amended and supplemented from time to time. Area Representative shall use its best efforts to ensure that each franchisee in the Region keeps and maintains the contents of the Manual strictly confidential. In the event of the expiration, termination or Transfer of a Franchise Agreement, Area Representative shall collect and return to Franchisor all copies of all Manuals in the possession of that franchisee. Franchisor also expressly reserves the right to make other changes from time to time in the System including, without limitation, the Marks and Information. Area Representative agrees to adopt and implement all such changes at its own expense as though they were a part of the System at the time of the execution of this Agreement.

4.8. **Conduct.** Area Representative agrees at all times to perform its obligations under this Agreement in compliance with all applicable laws, and in a manner which promotes the integrity and reputation of the System. Area Representative shall not engage in any practice or make any representation (actual or implied) to any prospective or existing BRAKE MASTERS franchisee which is misleading, incomplete, fraudulent, untrue or contrary to Franchisor's policies and agreements.

4.9. **Indemnification.** Except as otherwise expressly provided in Section 6.7, Area Representative agrees to indemnify and hold Franchisor harmless from and against any and all costs, expenses (including reasonable attorneys' fees and court costs), losses, liabilities, damages, causes of actions, claims and demands whatsoever, known or unknown, asserted or unasserted, and however arising, based upon the alleged acts, errors, omissions or misrepresentations of Area Representative or any of its agents, employees or representatives, or this Agreement, or the conduct or operation of Area Representative's business, and whether arising from bodily injury, personal injury, products liability, property damage or any other violation of the rights of others, violation of law, or in any other way. Area Representative's indemnification obligations shall not be waived or reduced by any insurance provided by Area Representative, Franchisor or any third party.

4.10. **Costs of Dispute Resolution.** In the event of any mediation, arbitration or litigation that is not covered by the indemnification provided for in Section 4.9, but that does involve franchisees in the Region (other than Affiliates of Franchisor) or any other claim or

matter relating to the Region, Franchisor shall control any such proceeding, and Franchisor and Area Representative shall equally share the costs (including reasonable attorneys' fees) and any recovery in any such proceeding.

5. **MANUALS**. Area Representative agrees to comply with all Manuals, and all such additions or revisions to them, copies of which shall be furnished to Area Representative. In the event of a direct conflict between any Manual and the provisions of this Agreement, this Agreement shall control. Franchisor will loan Area Representative one copy of each Manual. All Manuals shall remain the property of Franchisor.

6. **PROPRIETARY RIGHTS.**

6.1. **License**. Area Representative shall have the right, upon the terms and conditions stated herein, to use and display the Marks designated by Franchisor from time to time as well as the Information, but only in a manner expressly authorized by Franchisor and only in connection with the operation of its business as provided for hereunder. Area Representative shall have no right, title or interest in or to the Marks or Information, except as provided herein.

6.2. **Ownership**. Area Representative and each Member of the L-2 Group expressly acknowledges that the ownership of the Marks and Information, as modified from time to time, remains vested solely in Franchisor. Area Representative and each Member of the L-2 Group acknowledges that all of the Information (including, without limitation, the Manuals) owned or developed by Franchisor, whether or not published, registered or copyrighted or suitable for registration or copyright, has been revealed to them in trust and confidence and constitutes trade secrets and/or proprietary property of Franchisor. All such Information provided or revealed to them, or any of them, together with the goodwill associated therewith, is, and shall remain, the sole and exclusive property of Franchisor.

6.3. **Confidentiality**. All information and knowledge about the System which is not in the public domain and such other information and material as Franchisor may designate as confidential shall be deemed confidential Information for purposes of this Agreement. Area Representative and each Member of the L-2 Group agrees to keep all such Information confidential and to use it only for the purposes and in the manner authorized by Franchisor. Area Representative and each Member of the L-2 Group warrants and agrees that, except as required for the performance of this Agreement, none of them, and none of Area Representative's managers, agents, employees or representatives, shall at any time, either during or after the expiration, termination or Transfer of this Agreement, disclose, duplicate, license, sell, reveal, divulge, publish or communicate, directly or indirectly, any portion of the Information including, without limitation, Information concerning Franchisor, this Agreement, the System, existing or potential franchisees, other Area Representatives, or customers or vendors of any of them, or any aspects of Area Representative's business to any person, firm, corporation or other entity.

6.4. **Usage**. Area Representative agrees that its use of any Marks shall at all times comply with the specifications established from time to time by Franchisor. Area Representative agrees, upon request, to provide Franchisor samples of Area Representative's use of any Marks and to comply promptly with reasonable requests to modify such use. Area Representative and each Member of the L-2 Group expressly acknowledges that any unauthorized use of the Marks or Information shall constitute infringement of Franchisor's rights

and an event of default under this Agreement. Area Representative and each Member of the L-2 Group agrees not to use or display the Marks, or any names, marks, color combinations, designs, signs, symbols or other designations which are confusingly similar to the Marks, in connection with any other business or activity in which any of them has an interest. Area Representative and each Member of the L-2 Group shall not directly or indirectly contest the validity of the Marks or the Information or the rights of Franchisor thereto.

6.5. **Notice.** Area Representative shall conspicuously post at its administrative offices notice in such form and content as Franchisor may designate to reflect that its business is independently owned and operated.

6.6. **Area Representative's Names.** Area Representative shall not use the name "BRAKE MASTERS" or any derivative thereof, or any Marks or anything similar thereto, as part of its business name. Franchisor reserves the right to adopt new, additional or modified Marks, in which event, at Franchisor's directive, Area Representative shall adopt, use and display only those Marks as specified by Franchisor and shall promptly discontinue the use and display of outmoded or superseded Marks. Area Representative shall have no claim against Franchisor in the event that it is required to discontinue the use and display of any Marks. Area Representative shall identify itself as an Area Representative in conjunction with any use of the Marks. Area Representative shall not sign Franchisor's name to any contracts, obligations or other instruments or hold itself out as a partner, general agent or employee of Franchisor, and Area Representative agrees that all contracts and obligations entered into in establishing and maintaining its business hereunder shall be in its own name.

6.7. **Defense of the Marks.** In the event Area Representative becomes aware of any infringing use of any Mark, or if any third party makes any claim, by suit or otherwise, against Area Representative arising out of Area Representative's use of any Mark, Area Representative shall promptly notify Franchisor in writing. Franchisor may take whatever action it deems appropriate with respect to an infringement; and if any such claim relates solely to Area Representative's use of any Mark in full compliance with this Agreement, Franchisor shall retain counsel of Franchisor's own choosing to defend Area Representative against any such claim, suit or demand and protect, indemnify and save Area Representative harmless from any loss, change or expense, arising out of, or relating to, any such claim, suit or demand. Area Representative agrees to cooperate with Franchisor and execute such documents and perform such actions as may, in the judgment of Franchisor, be necessary, appropriate or advisable for the conduct of such prosecution, defense or other action.

7. TRANSFER.

7.1. **Ownership Interest in Area Representative.** This Agreement is entered into by Franchisor in reliance upon and consideration of the trust and confidence placed in Area Representative and the Members of the L-2 Group based upon their collective personal skills, qualifications, existing business relationships with Franchisor, and representations to Franchisor. The Members of the L-2 Group shall at all times own and retain the legal, beneficial and voting rights in 100% of the outstanding stock (or other ownership interests) of Area Representative; *provided, however,* that the Members of the L-2 Group may transfer their ownership interests in Area Representative to each other subject to giving prior written notice of any such transfer to Franchisor. Any such transfer between Members of the L-2 Group shall be subject only to the provisions of Sections 7.1 and 7.4 of this Article 7.

7.2. Restrictions on Transfer by Area Representative. Except as otherwise provided in this Article 7, Area Representative may not transfer, sell, assign, delegate, pledge, mortgage, or encumber or hypothecate its rights or privileges under this Agreement, in whole or in part, directly or indirectly, by operation of law or otherwise in any manner (hereinafter referred to as a "**Transfer**"), without the prior written consent of Franchisor, which Franchisor may not unreasonably withhold, but Franchisor may take into account the responsibilities and nature of the working relationship needed between the parties to this Agreement.

7.3. Conditions to Transfer.

7.3.1. Franchisor's Right of First Refusal. Area Representative shall give Franchisor written notice setting forth all of the terms and conditions of any proposed Transfer of Area Representative's rights under this Agreement, together with copies of the written offer signed by the proposed transferee and all related documentation. Within ten business days after receipt of such notice and documentation, Franchisor may, at its option, elect to become the transferee upon the terms and conditions specified in the offer, subject to a setoff for all amounts owed by Area Representative to Franchisor. If Franchisor declines to exercise its right within the time specified, Area Representative may thereafter Transfer its rights subject to the conditions in Subsection 7.3.2, but not at more favorable terms than offered to Franchisor. If the Transfer does not occur within three months from the date notice was given to Franchisor, then Area Representative must re-offer to Franchisor prior to any Transfer.

7.3.2. General Conditions. If Franchisor does not exercise its right of first refusal pursuant to Subsection 7.3.1, Franchisor may nevertheless withhold its approval of a Transfer unless conditions reasonably appropriate under the circumstances are satisfied, including without limitation that: (a) the transferee have skills and experience substantially equivalent to those of Area Representative and the Members of the L-2 Group; (b) the transferee complete Franchisor's initial training program to Franchisor's satisfaction; (c) Area Representative and the Members of the L-2 Group execute a general release of all claims against Franchisor arising from or in connection with this Agreement, and an acknowledgment of the continuing obligations of Area Representative and the Members of the L-2 Group as described in Section 7.4(d) the Transfer be conducted in compliance with all applicable laws and regulations; and (e) the transferee have all governmental permits and licenses required to operate the business to be conducted hereunder. Consent by Franchisor to a Transfer upon specified terms and conditions shall not be deemed consent by Franchisor to a Transfer upon any other terms or conditions, nor to any other subsequent Transfer.

7.4. Continuing Obligations. Following any Transfer of this Agreement, Area Representative shall remain fully liable for any and all obligations incurred and activities which occurred prior to the effective date of the Transfer. No such Transfer shall operate to relieve Area Representative or any Member of the L-2 Group of any obligation or liability arising under the following Articles or Sections: 4.6, 6.1, 6.2, 6.3, 6.7, 8.4, 8.5 and 9, all of which shall survive any termination, expiration or Transfer of this Agreement.

7.5. Transfer by Franchisor. Franchisor may Transfer its interests, rights and/or obligations under this Agreement, in whole or in part, without notice to or the consent of Area Representative.

8. **TERMINATION.**

8.1. **For Cause Without Right to Cure.** Franchisor may terminate this Agreement without prejudice to any other legal right or remedy it may have immediately upon the occurrence of any of the following events by giving written notice of such termination and the reason(s) therefor and without providing Area Representative an opportunity to cure the default:

8.1.1. **Misrepresentation.** If Area Representative makes any material misrepresentations relating to obtaining this Agreement, or if Area Representative engages in conduct which reflects materially and unfavorably on the operation and reputation of the System;

8.1.2. **Repeated Breach.** If the same or different defaults or breaches occur three or more times in any twelve month period, whether or not the prior breaches or defaults were cured;

8.1.3. **Seizure.** If Area Representative's business is seized, taken over or foreclosed by a governmental official in the exercise of his duties, or seized, taken over or foreclosed by a creditor, lien holder or lessor, or a final judgment against Area Representative remains unsatisfied for 30 days (unless a bond has been filed); or if a levy of execution has been made upon the rights granted under this Agreement or upon any property used in the business conducted hereunder, and is not discharged within five days of such levy;

8.1.4. **Criminal Conduct.** If Area Representative or any Member of the L-2 Group is convicted of or pleads nolo contendere to a felony or other criminal misconduct relevant to the operation of its business hereunder or injurious to the reputation of the System; or

8.1.5. **Default Under Other Agreements.** If Area Representative, any Member of the L-2 Group, or any Affiliate of any of them, materially breaches or defaults under any other agreement with Franchisor or any Affiliate of Franchisor, which breach or default is not cured within the cure period (if any) permitted under any such agreement.

8.2. **For Cause with Right to Cure.**

8.2.1. **Payment Defaults.** Either party may terminate this Agreement for any failure of the other party to make payments when due under this Agreement, effective 30 days after giving written notice to the defaulting party specifying the amounts due, if such amounts are not paid within the 30 day period.

8.2.2. **Other Defaults.** In addition to the foregoing, and without prejudice to its enforcement of any other legal right or remedy, either party may terminate this Agreement upon the occurrence of any other material breach, violation or default of this Agreement after giving 90 days written notice to the defaulting party specifying the reason(s) for termination, if the defaults are not cured within the 90 day period. In addition to the requirements and terms set forth elsewhere in this Agreement, for purposes of this Subsection 8.2.2, any of the following events shall also be deemed a material default by Area Representative: (a) if the Cost of Sales (as defined below) of 50% or more of the franchisees in the Region (excluding any BRAKE MASTERS store in

which Area Representative, Franchisor or any Affiliate of either of them is the franchisee) is higher than 60% for twelve consecutive calendar months; or (b) if substantially all of the Inspection Reports (as defined below) prepared by either Area Representative or Franchisor for any franchisee in the Region during a six month period have overall grades of less than 65%. As used in this Agreement, **"Gross Sales"** shall mean a franchisee's gross revenues less customer coupons, discounts and refunds and sales taxes; **"Cost of Sales"** shall mean a franchisee's Gross Sales less the cost of parts, labor and store supplies; in each case as set forth in weekly and other reports furnished by each franchisee as required by Franchisor's Manuals for the operation of franchised BRAKE MASTERS stores; and **"Inspection Reports"** shall mean the standard form of inspection reports, categories and grading criteria, as established and modified by Franchisor from time to time and used for store inspections throughout the BRAKE MASTERS System.

8.3. **Consequences of Termination.** Upon the expiration or termination of this Agreement for any reason:

8.3.1. **Payments.** Area Representative's rights to payments pursuant to Section 3.1 shall cease upon the effective date of expiration or termination of this Agreement, and such amounts, subject to setoff as provided in Section 3.1, shall be paid to Area Representative on or before the 20th day of the calendar month following the month in which the expiration or termination occurred.

8.3.2. **Proprietary Rights.** Area Representative shall immediately discontinue the use of the Marks, the Information and the System, all similar names and marks or any other designations or marks associating Area Representative with Franchisor or the System, and shall cease displaying and using all signs, stationery, letterheads, forms, paper products, Manuals, printed matter, advertising, and other materials containing Franchisor's name, the Marks, the Information or other designations that might mislead or confuse the public.

8.3.3. **Return of Materials.** Area Representative shall, within five days of the effective date of expiration or termination of this Agreement, return to Franchisor all copies of all Manuals received by Area Representative pursuant to this Agreement, and all other materials required to be returned in accordance with this Agreement or any such Manual.

8.4. **Continuing Obligations.**

8.4.1. **Liabilities.** Following the expiration, termination or Transfer of this Agreement, Area Representative shall remain fully liable for any and all obligations of Area Representative incurred prior to the effective date of such expiration, termination or Transfer, and for those obligations and liabilities as provided in Section 7.4.

8.4.2. **Noncompetition.** Area Representative and each Member of the L-2 Group shall continue to be bound by the covenant not to compete as provided in Section 4.6.

8.5. **Other Remedies.** In addition to any other remedies Franchisor may have, in the event of any breach or threatened breach of this Agreement, Franchisor shall immediately be

entitled to injunctive relief (including a temporary restraining order, preliminary injunction and/or specific performance) without showing or proving any actual damage sustained and shall not thereby be deemed to have elected its remedies. It is specifically understood and agreed that Franchisor will incur incalculable and irreparable damage from any violation of the following Articles, Sections and Subsections: 4.1.2, 4.1.3, 4.1.6, 4.6, 4.8, 6 and 7, and that Franchisor has no complete adequate remedy at law and is entitled to injunctive relief, including specific performance, for any such actual or threatened violation.

9. DISPUTE RESOLUTION.

9.1. Mediation. In the event of any dispute arising under or relating to this Agreement (other than as provided in Section 9.3), the parties agree to participate in non-binding mediation in Tucson, Arizona, to be conducted by someone mutually agreeable to the parties. Such mediation shall be commenced promptly and concluded within ten days unless the parties agree otherwise. All discussions, negotiations, findings and statements made in connection with the mediation shall be privileged and confidential and not admissible into evidence for any purpose other than the mediation. The costs of the mediation shall be borne equally by the parties, and each party shall be responsible for all its own expenses.

9.2. Arbitration. If the parties are not able to resolve any dispute through mediation, then (except as provided in Section 9.3) the matter shall be settled by binding arbitration in Tucson, Arizona, in accordance with the Center for Public Resources Rules for Non-Administered Arbitration of Business Disputes, by a sole arbitrator mutually agreeable to the parties. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

9.3. Litigation. Franchisor shall not be required to mediate or arbitrate, and may litigate, any issues relating to its Marks, or its trade secrets or Information.

10. MISCELLANEOUS.

10.1. Inurement. Subject to the restrictions on Transfer contained herein, this Agreement shall be binding upon and inure to the benefit of the successors, assigns, heirs and representatives of the parties.

10.2. Relationship of Parties.

10.2.1. Independent Contractor. Except as expressly stated herein, nothing in this Agreement shall be deemed or construed to create the relationship of principal and general agent, partnership, joint venture or employment, or a fiduciary relationship, and Area Representative shall not hold itself out as a legal representative, partner, subsidiary, joint venturer, servant, employee or general agent of Franchisor or any Affiliate of Franchisor. With respect to all matters pertaining to the operation of the business conducted hereunder, Area Representative is, and shall be, an independent contractor. Neither Franchisor nor Area Representative has the right to bind or obligate the other to any obligations or debts.

10.2.2. Conduct of Business. It is acknowledged that Area Representative is the independent owner of its business, shall be in full control thereof, and shall conduct

its business in accordance with Area Representative's own judgment and discretion, subject only to the provisions of this Agreement. Franchisor shall neither regulate nor be responsible for the hiring or firing of Area Representative's agents or employees or for Area Representative's contracts.

10.3. Notices. All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or via facsimile, or one business day after being sent prepaid by overnight courier for next business day delivery, or five days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Any notice to Franchisor shall be addressed to:

Brake Masters Systems, Inc.
6179 East Broadway
Tucson, Arizona 85711
Attn: President
Telephone: (520) 512-0000
Fax: (520) 512-1000

Any notice to Area Representative shall be addressed to:

Mr. Israel Linder
18556 Ventura Blvd.
Tarzana, California 91356
Telephone: (818) 342-0777
Fax: (818) 342-0150

Any notice to the L-2 Group shall be addressed to:

Mr. Israel Linder
18556 Ventura Blvd.
Tarzana, California 91356
Telephone: (818) 342-0777
Fax: (818) 342-0150

and to:

Mr. Donald M. Goeres
18556 VENTURA BLVD.
TARZANA CA. 91356
Telephone: (818) 342-0777
Fax: (909) 735-1433

and to:

Mr. Frank Peachey
21619 BLACKHAWK ST.
CHATSWORTH, CA 91311
Telephone: (818) 882-2545
Fax: (818) 342-0150

Any party or person may designate another address at any time by appropriate written notice to the others. Additionally, all routine periodic payments and reports required to be given under this Agreement shall be delivered to the above addresses, but need not be sent by certified or registered mail, and no return receipt is required for them.

10.4. Time. Time is of the essence of the Agreement with respect to each and every provision in which time is a factor.

10.5. Consents. Except as otherwise expressly provided in this Agreement, whenever the consent or approval of Franchisor is required hereunder, such consent or approval may be withheld in the reasonable discretion of Franchisor. Franchisor's consent or approval to, or of, any act or request by Area Representative shall not be deemed any guarantee or assurance of success, or a waiver of any required consent or approval for any subsequent similar act or request.

10.6. Waiver and Delay. No waiver of any breach or default of any term, covenant or condition of this Agreement or delay in exercising any right, power or remedy with regard to any such breach or default shall be construed as a waiver of any preceding or succeeding breach or default of any other term, covenant or condition of this Agreement, nor shall it impair any right, power or remedy in enforcing the same. Any waiver, permit, consent or approval of any provision or condition of this Agreement, or of any breach or default under this Agreement, shall be in writing and shall be effective only to the extent specifically allowed by such writing. All remedies, either under this Agreement, at law, in equity or otherwise, shall be cumulative and not alternative and may be exercised simultaneously or sequentially in any order.

10.7. Interpretation. The table of contents and captions used in this Agreement are inserted for convenience only and shall not affect the meaning or construction of this Agreement. It is the intention of the parties hereto that if any provision in this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

10.8. Days. Wherever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event; and for any period of five or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, periods longer than five days shall be measured by calendar days, except that if the last day of such a period is not a business day, the period shall automatically be extended to the next business day.

10.9. Applicable Law. The existence, validity, construction and sufficiency of performance of and under this Agreement shall be determined in accordance with the laws of the State of Arizona, without regard to Arizona conflict of laws rules.

10.10. Severability. If any provision of this Agreement may be prohibited by law or otherwise held invalid, such provision shall be modified to the extent necessary to make it enforceable, or if it cannot be so modified, then ineffective only to the extent of such prohibition or invalidity, and the remaining provisions of this Agreement shall remain in full force and effect.

10.11. Amendment. Except as otherwise expressly provided herein, this Agreement may be amended only by a written instrument signed by both Area Representative and Franchisor.

10.12. Entire Agreement. This Agreement, and the documents expressly referred to herein, set forth the entire agreement between the parties hereto pertaining to the subject matter hereof, fully superseding any and all prior negotiations, agreements or understandings between them.

10.13. Acknowledgements. Area Representative acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks. Franchisor expressly disclaims the making of, and Area Representative acknowledges that it has not received nor relied upon any representation, warranty or guaranty, expressed or implied, as to the potential numbers, profits or success of the business venture contemplated by this Agreement.

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

AREA REPRESENTATIVE: L-2 ENTERPRISES, INC., a California corporation

By: _____
(Signature)

By: ESRAEL LIHOAR
(Type or Print)

Its: PRESIDENT
(Title)

FRANCHISOR: BRAKE MASTERS SYSTEMS, INC., an Arizona corporation

By: _____
(Signature)

By: _____
(Type or Print)

Its: _____
(Title)

10.11. Amendment. Except as otherwise expressly provided herein, this Agreement may be amended only by a written instrument signed by both Area Representative and Franchisor.

10.12. Entire Agreement. This Agreement, and the documents expressly referred to herein, set forth the entire agreement between the parties hereto pertaining to the subject matter hereof, fully superseding any and all prior negotiations, agreements or understandings between them.

10.13. Acknowledgements. Area Representative acknowledges that it has conducted an independent investigation of the business contemplated by this Agreement and recognizes that it involves business risks. Franchisor expressly disclaims the making of, and Area Representative acknowledges that it has not received nor relied upon any representation, warranty or guaranty, expressed or implied, as to the potential numbers, profits or success of the business venture contemplated by this Agreement.

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

AREA REPRESENTATIVE: L-2 ENTERPRISES, INC., a California corporation

By: _____
(Signature)

By: _____
(Type or Print)

Its: _____
(Title)

FRANCHISOR: BRAKE MASTERS SYSTEMS, INC., an Arizona corporation

By: Shalom Laufin
(Signature)

By: Shalom Laufin
(Type or Print)

Its: Vice-President
(Title)

ACKNOWLEDGMENT AND AGREEMENT
BY ISRAEL LINDER

Israel Linder hereby agrees to be bound by the terms and conditions of Sections 4.4.1, 4.6, 6.2, 6.3, 7.1, 7.2, 7.4 and 8.4.2 of the foregoing Area Representative Agreement, and agrees that the provisions of Sections 8.5 and Articles 9 and 10 shall apply to him as well as to the Area Representative.

Israel Linder

Dated: 7-27-99, 1999

ACKNOWLEDGMENT AND AGREEMENT
BY DONALD M. GOERES

Donald M. Goeres hereby agrees to be bound by the terms and conditions of Sections 4.4.3, 4.6, 6.2, 6.3, 7.1, 7.2, 7.4 and 8.4.2 of the foregoing Area Representative Agreement, and agrees that the provisions of Sections 8.5 and Articles 9 and 10 shall apply to him as well as to the Area Representative.

Donald M. Goeres

Dated: 7-27-99, 1999

ACKNOWLEDGMENT AND AGREEMENT
BY FRANK PEACHY

Frank Peachey hereby agrees to be bound by the terms and conditions of Sections 4.4.2, 4.6, 6.2, 6.3, 7.1, 7.2, 7.4 and 8.4.2 of the foregoing Area Representative Agreement, and agrees that the provisions of Sections 8.5 and Articles 9 and 10 shall apply to him as well as to the Area Representative.

Frank Peachey

Dated: 7/27/, 1999

EXHIBIT M

RECEIPT FOR COMPLETED DOCUMENTS

IF BMSI OFFERS YOU A FRANCHISE, BMSI MUST PROVIDE YOU WITH COMPLETED COPIES OF THE FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS TO BE EXECUTED BY THE PARTIES AT LEAST SEVEN CALENDAR DAYS BEFORE YOU SIGN THE AGREEMENTS.

I have received one copy of each of the following agreements (check those that apply):

☐ Exhibit B - State Law Addendum

☐ Exhibit C - BMSI Franchise Agreement and its attached Exhibits:
Exhibit 1 - Terms (with blanks filled in)
Exhibit 2 - Guaranty (form with blanks)
Exhibit 3 - Confidentiality and Noncompetition Agreement (form with blanks)
Exhibit 4 - Confidentiality Agreement (form with blanks)

Copy(ies) of Exhibit 2 - the Guaranty of the Franchise Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 3 - the Confidentiality and Noncompetition Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 4 - the Confidentiality Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Exhibit D - Multi-Store Amendment (with blanks filled in)

☐ Exhibit E - Entire Marketing Area Addendum to Multi-Store Amendment (with blanks filled in)

☐ Exhibit F - Real Estate Documents with its attached Exhibits:

Addendum to Lease [with Third Party]

Free Standing Building Lease [with Heights Properties, LLP] with Personal Guarantee

Shopping Center Lease [with Heights Properties, LLP] with its attached Exhibits:

Exhibit A – Description of Premises
Exhibit B – Description of Project
Exhibit C – Landlord's Rules and Regulations
Exhibit D – Standard Tenant Sign Criteria
Exhibit E – Landlord's Work / Tenant's Work
Exhibit F – Satellite Dish/Antenna Installation
Exhibit G – Option to Extend Term
Exhibit H – Personal Guarantee

Memorandum of Option [for Franchisee Owned Site]

☐ Copy(ies) of Addendum to Lease [with Third Party] (with blanks filled in).

☐ Copy(ies) of Free Standing Building Lease [with Heights Properties] (with blanks filled in and Exhibits completed):

☐ Copy(ies) of Personal Guarantee to Free Standing Building Lease [with Heights Properties] for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Copy(ies) of Shopping Center Lease [with Heights Properties] (with blanks filled in and Exhibits completed):

☐ Copy(ies) of Exhibit H Personal Guarantee to Shopping Center Lease [with Heights Properties] for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Copy(ies) of Memorandum of Option [for Franchisee Owned Site] (with blanks filled in) for the following individuals:

☐ Exhibit N - Confirmation of Sales Procedures (form with blanks to be filled in by Franchisee at closing)

I received these documents on _____, 20___.

BMSI has provided these documents to me for informational purposes. My signing this receipt does not obligate me in any way, and does not obligate BMSI to grant me a franchise.

_____
Individually and, if applicable, as an officer, partner or manager of and on behalf of

_____,

a _____ corporation,

a _____ partnership,

a _____ limited liability company.

The foregoing instrument, namely that certain Receipt for Completed Documents, dated _____, 20___, consisting of three (3) pages, was acknowledged before me this _____ day of _____, 20____, by _____, the _____ (title) of _____ (corporate name) on behalf of the corporation.

(Seal and Expiration Date)

_____
Notary Public

EXHIBIT M

RECEIPT FOR COMPLETED DOCUMENTS

IF BMSI OFFERS YOU A FRANCHISE, BMSI MUST PROVIDE YOU WITH COMPLETED COPIES OF THE FRANCHISE AGREEMENT AND ALL RELATED AGREEMENTS TO BE EXECUTED BY THE PARTIES AT LEAST SEVEN CALENDAR DAYS BEFORE YOU SIGN THE AGREEMENTS.

I have received one copy of each of the following agreements (check those that apply):

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Copy(ies) of Exhibit 2 - the Guaranty of the Franchise Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 3 - the Confidentiality and Noncompetition Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 4 - the Confidentiality Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Exhibit D - Multi-Store Amendment (with blanks filled in)

☐ Exhibit E - Entire Marketing Area Addendum to Multi-Store Amendment (with blanks filled in)

☐ Exhibit F - Real Estate Documents with its attached Exhibits:

Addendum to Lease [with Third Party]

Free Standing Building Lease [with Heights Properties, LLP] with Personal Guarantee

Shopping Center Lease [with Heights Properties, LLP] with its attached Exhibits:

Exhibit A – Description of Premises
Exhibit B – Description of Project
Exhibit C – Landlord's Rules and Regulations
Exhibit D – Standard Tenant Sign Criteria
Exhibit E – Landlord's Work / Tenant's Work
Exhibit F – Satellite Dish/Antenna Installation
Exhibit G – Option to Extend Term
Exhibit H – Personal Guarantee

Memorandum of Option [for Franchisee Owned Site]

☐ Copy(ies) of Addendum to Lease [with Third Party] (with blanks filled in).

☐ Copy(ies) of Free Standing Building Lease [with Heights Properties] (with blanks filled in and Exhibits completed):

☐ Copy(ies) of Personal Guarantee to Free Standing Building Lease [with Heights Properties] for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Copy(ies) of Shopping Center Lease [with Heights Properties] (with blanks filled in and Exhibits completed):

☐ Copy(ies) of Exhibit H Personal Guarantee to Shopping Center Lease [with Heights Properties] for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Copy(ies) of Memorandum of Option [for Franchisee Owned Site] (with blanks filled in) for the following individuals:

☐ Exhibit N - Confirmation of Sales Procedures (form with blanks to be filled in by Franchisee at closing)

I received these documents on _____, 20___.

BMSI has provided these documents to me for informational purposes. My signing this receipt does not obligate me in any way, and does not obligate BMSI to grant me a franchise.

_____
Individually and, if applicable, as an officer, partner or manager of and on behalf of

_____,

a _____ corporation,

a _____ partnership,

a _____ limited liability company.

The foregoing instrument, namely that certain Receipt for Completed Documents, dated _____, 20___, consisting of three (3) pages, was acknowledged before me this _____ day of _____, 20____, by _____, the _____ (title) of _____ (corporate name) on behalf of the corporation.

(Seal and Expiration Date)

_____
Notary Public

EXHIBIT N

CONFIRMATION OF SALES PROCEDURES

I hereby confirm the following facts to Brake Masters Systems, Inc. ("BMSI") and to its Officers, Directors and Management, on behalf of myself personally, and if applicable, as an Officer, Partner or Manager of a corporation, partnership or limited liability company and on its behalf:

1. Date I received a copy of the Franchise Disclosure Document of dated February 10, 2020 and the following Exhibits attached thereto: _____ Date

Exhibit A - State Agencies
Exhibit B - State Law Addendum
Exhibit C - Franchise Agreement and its Exhibits:
Exhibit 1 - Terms
Exhibit 2 - Guaranty
Exhibit 3 - Confidentiality & Noncompetition Agreement
Exhibit 4 - Confidentiality Agreement
Exhibit D - Multi-Store Amendment
Exhibit E - Entire Marketing Area Addendum to Multi-Store Amendment
Exhibit F - Form of Real Estate Lease
Exhibit G - Table of Contents of Manuals
Exhibit H - Franchisees
Exhibit I - Former Franchisees
Exhibit J - Financial Statements
Exhibit K - Agents for Service of Process
Exhibit L - Area Representative Agreement with L-2 Enterprises, Inc.
Exhibit M - Receipt for Completed Documents
Exhibit N - Confirmation of Sales Procedures

_____ Initial

STATE EFFECTIVE DATES
RECEIPTS

2. Date I received copies of the Supplemental Disclosure to the Franchise Disclosure Document of BMSI dated February 10, 2020 and any attached Exhibits. _____ Date

_____ Initial

3. I have read and understand the entire Disclosure Document and all the Exhibits, and the supplemental disclosures (if any). _____ Initial

4. BMSI has recommended that I consult with professional advisors with respect to this transaction. _____ Initial

5. Date of my first face-to-face meeting with any salesman, agent or Officer of BMSI or its franchise broker (name of salesman, agent or broker: _____). _____ Date

_____ Initial

6. If I am purchasing a location from BMSI that was previously owned by a franchisee in the past five years, I have received the following information: the date that I received the former franchisee's contact information, the time period that the franchisee controlled the location, the reason for the ownership change and the length of time that BMSI controlled the location.

_____ Date

_____ Initial

7. Date I received copies of the State Law Addendum (except for signatures) with all blanks filled in.

_____ Date

_____ Initial

8. Date I received copies of the Franchise Agreement with its attached Exhibits (check the boxes and fill in the names for those you received), each completed (except for signature) with all blanks filled in where applicable:

_____ Date

_____ Initial

☐ BMSI Franchise Agreement and its attached Exhibits:

Exhibit 1 - Terms (with blanks filled in)
Exhibit 2 - Guaranty (form with blanks)
Exhibit 3 - Confidentiality and Noncompetition Agreement (form with blanks)
Exhibit 4 – Confidentiality Agreement (form with blanks)

Copy(ies) of Exhibit 2 - the Guaranty of the Franchise Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 3 - the Confidentiality and Noncompetition Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

Copy(ies) of Exhibit 4 - the Confidentiality Agreement (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

9. Date I received copies of the Multi-Store Amendment, completed (except for signatures) with all blanks filled in.

_____
Date

_____
Initial

10. Date I received copies of the Entire Marketing Area Addendum to Multi-Store Amendment, completed (except for signatures) with all blanks filled in.

_____
Date

_____
Initial

11. Date I received copies of the Uniform Commercial Code Financing Statement, completed (except for signatures) with all blanks filled in:

_____
Date

_____
Initial

12. Date I received copies of the Real Estate Document with its attached Exhibits (check the boxes and fill in the names for those you received), each completed (except for signature) with all blanks filled in where applicable:

_____
Date

_____
Initial

☐ Addendum to Lease [with Third Party] (with blanks filled in)

☐ Free Standing Building Lease with Personal Guarantee (with blanks filled in)

Copy(ies) of Personal Guarantee to Free Standing Building Lease (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Shopping Center Lease with Exhibits (with blanks filled in)

Copy(ies) of Exhibit H – the Personal Guarantee to Shopping Center Lease (with blanks filled in) for the following individuals:

☐ _____
☐ _____
☐ _____
☐ _____
☐ _____

☐ Memorandum of Option [for Franchisee Owned Site]](with blanks filled in).

13. Date I actually signed the Franchise Agreement and the other documents checked in Questions 6-12 above: _____ Date

_____ Initial

14. Date first payment was made to BMSI: _____ Date

_____ Initial

15. No oral, written or visual information, claim, promise or representation which contradicted the Disclosure Document was given or made to me or, to the best of my knowledge, to anyone associated with me, except: _____ Initial

_____
_____
_____.

16. No oral, written or visual information, claim, promise or representation was used to calculate, state or suggest any sales, expenses, income or profit levels, to me or, to the best of my knowledge, to anyone associated with me, except: _____ Initial

_____
_____
_____.

17. I understand that the BRAKE MASTERS brake repair and service business involves inherent risks, that there is no assurance of success, and that my business can fail. _____ Initial

Dated: _____, 20__.

_____
Signature as an Individual and on Behalf of:

_____
(Name of Entity)

a _____ corporation

a _____ partnership

or a _____ limited liability company

_____
(Name Printed or Typed)

_____
Street Address

_____
City, State, Zip

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective date stated below:

California 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.

RECEIPTS

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE PAYMENT TO US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE OR GRANT.

NEW YORK REQUIRESTHAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

MICHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS, BEFORE THE EXECUTION OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT OR MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580, AND YOUR STATE AGENCY LISTED IN THE STATE AGENCIES EXHIBIT.

THE NAME, PRINCIPAL BUSINESS ADDRESS AND TELEPHONE NUMBER OF EACH FRANCHISE SELLER OFFERING THE FRANCHISE IS: Eric Laytin, 6179 East Broadway Boulevard, Tucson, AZ 85711 and _____**.**

Issuance Date: February 10, 2020

See Exhibit K for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated February 10, 2020, that included the following Exhibits:

Exhibit A:	State Agencies	Exhibit F:	Real Estate Documents
Exhibit B:	State Law Addendum	Exhibit G:	Tables of Contents of Manuals
Exhibit C:	Franchise Agreement and Exhibits	Exhibit H:	Franchisees
	Exhibit 1: Terms	Exhibit I:	Former Franchisees
	Exhibit 2: Guaranty	Exhibit J:	Financial Statements
	Exhibit 3: Confidentiality and Noncompetition Agreement	Exhibit K:	Agents for Service of Process
	Exhibit 4: Confidentiality Agreement	Exhibit L:	Area Representative Agreement with L-2 Enterprises, Inc.
Exhibit D:	Multi-Store Amendment	Exhibit M:	Receipt for Completed Documents
Exhibit E:	Entire Marketing Area Addendum to Multi-Store Amendment	Exhibit N:	Confirmation of Sales Procedures
			STATE EFFECTIVE DATES
			RECEIPTS

Please sign this copy of the receipt, date your signature, and return it to Brake Master's Systems, Inc. 6179 East Broadway Boulevard, Tucson, AZ, 85711.

_____
Individually and, if applicable, as an officer, partner or manager of

_____
a _____ corporation
a _____ partnership
a _____ limited liability company.

SUBSCRIBED AND SWORN to before me this _____ day of _____, 20__.

My Commission Expires _____

_____
Notary Public

RECEIPTS

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_____
Individually and, if applicable, as an officer, partner or manager of

_____
a _____ corporation
a _____ partnership
a _____ limited liability company.

SUBSCRIBED AND SWORN to before me this _____ day of _____, 20__.

My Commission Expires _____

_____
Notary Public