

**MDSA, LLC**

**2021 FDD – Final Copy**

## FRANCHISE DISCLOSURE DOCUMENT



MDSA, LLC  
A Georgia Limited Liability Company  
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Peachtree Corners, Georgia 30092  
(770) 448-3900  
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[www.mightyautoparts.com](http://www.mightyautoparts.com)  
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The franchisee will operate a business within a designated territory that sells and distributes automotive replacement parts, supplies, chemicals, lubricants and other maintenance products.

The total investment necessary to begin operation of a Mighty franchised business is between \$228,000 and \$485,100. This includes from \$55,000 to \$120,000 that must be paid to the Franchisor or its affiliates.

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 the Franchise Department at 650 Engineering Drive, Peachtree Corners, Georgia 30092, (770) 448-3900.

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

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

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

Issuance Date: March 31, 2021

## 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:

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 Disputed Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Georgia. 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 Georgia than in your own state.

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

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## EXHIBITS

### EXHIBIT NO.

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## Item 1

### THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language of this document, "we" means the franchisor, MDSA, LLC ("MDSA"). "You" means the individual, corporation or other entity who buys the franchise and becomes the franchisee. If you are a corporation, partnership or other legal entity, "you" also includes your owners and guarantors.

MDSA is a Georgia limited liability company which was organized under the name MDSA, LLC on December 6, 1999. We are a wholly-owned subsidiary of Gonher North America, Inc., a Georgia corporation (our "Parent"). We do business as Mighty Distributing System of America and are commonly referred to as "Mighty" and "Mighty Auto Parts". Our corporate headquarters and principal place of business are located in the Atlanta, Georgia area at 650 Engineering Drive, Peachtree Corners, Georgia 30092.

Our Parent acquired all of the membership interests in MDSA in a purchase that was completed on December 23, 2009. In that transaction, our Parent acquired complete ownership of MDSA from our predecessor, Mighty Distributing System of America, Inc. (Georgia corporation).

We acquired substantially all of our assets from Mighty Distributing System of America, Inc. (Georgia) as part of a corporate reorganization which occurred on December 31, 1999. Mighty Distributing System of America, Inc. (Georgia) incorporated under the name Mighty Distributing System of America, Inc. on January 26, 1996 and was the surviving entity resulting from a merger with its predecessor, Mighty Distributing System of America, Inc. (Delaware corporation) on February 28, 1996. The former parent of Mighty Distributing System of America, Inc. (Delaware), North Riverside Venture, Inc. acquired Mighty Distributing System of America, Inc. (Delaware) from its founder, Dallas F. Wallace.

Mighty Distributing System of America, Inc. (Delaware) operated automotive parts distribution businesses, substantially similar to the franchise being offered from 1970 until February 28, 1996. During that twenty-five (25) year period, Mighty Distributing System of America, Inc. (Delaware) offered franchises similar to the one that you will operate. Mighty Distributing System of America, Inc. (Delaware) did not offer franchises in any other line of business.

Mighty Distributing System of America, Inc. (Georgia) operated automotive parts distribution businesses substantially similar to the franchise we offer to you in this disclosure document from February 28, 1996 to December 31, 1999. MDSA operated automotive parts distribution businesses substantially similar to the franchise offered in this disclosure document since December 31, 1999. We currently operate two (2) such businesses. Our company-owned operations do business as Mighty Auto Parts of Atlanta, Georgia and Mighty Auto Parts of the Mid-South based in Jackson, Tennessee. Mighty Distributing System of America, Inc. (Georgia) offered franchises for the same type of business that you will operate from February 28, 1996 until December 31, 1999. MDSA has offered franchises for the same type of business that you will operate from January 1, 2000, to the present. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees. Neither MDSA nor its predecessors have offered franchises in any other line of business; however, we reserve the right, in our sole discretion, to do so in the future.

Our agents for service of process are disclosed in Exhibit J.

We grant franchises that use our business systems (the "Mighty System") to purchase, sell and distribute certain automotive parts, supplies, chemicals and lubricants (the "Mighty Product Line"). In addition to the Mighty System, as a franchisee, we grant you the right to use certain Licensed Marks, which include the trade names and trademarks "MIGHTY®," "Mighty Distributing System™," and "Mighty Auto Parts™," as well as the service marks, copyrights and similar intellectual property rights that we describe in Item 13 of the disclosure document. We grant you the right to operate your franchise in a designated geographic territory (the "Franchise Territory"). All these rights together are called the "Franchise."

As a Mighty franchisee, you operate a business using the Mighty System under the Licensed Marks by ordering Mighty products from Approved Suppliers, carrying an inventory of Mighty products in a warehouse facility, and distributing Mighty products, at the wholesale level to the customer base that you develop and maintain in your Franchise Territory.

## **Our Development**

The Mighty business concept began in 1963, when Dallas F. Wallace began selling tire supplies to service stations, primarily in the Washington, D.C. – Baltimore, MD area, under the name DCTech and later, "MTY". The business gradually expanded geographically throughout the northeastern U.S. It also expanded with respect to the types of automotive products offered and development of a proprietary line of private-branded automotive products ensued.

Mighty's initial trade name, "MTY," denoted the two-step distribution concept of "Manufacturer To You" which contrasted with the then-traditional three-step distribution norms throughout the automotive aftermarket. The identification, MTY, was used on early product packaging and was also registered as a U.S. trademark. The company began using our present trade name "MIGHTY," in 1973, and during that year, it too was registered as a U.S. trademark.

In 1970, operating under the corporate name Mighty of Delaware, Inc., the company began granting franchises to other entrepreneurs as a growth strategy. In 1980, Mighty acquired real estate in a corporate office park development near Atlanta, Georgia, and relocated the corporate headquarters to 50 Technology Park; Norcross, Georgia.

In December 1987, North Riverside Venture, Inc., a subsidiary of Great American Management and Investment, Inc., acquired Mighty from its ownership which, up to that point, continued to include the founder, Dallas F. Wallace. Following the acquisition, North Riverside repositioned Mighty to enhance its ability to compete in the increasingly demanding automotive aftermarket environment of the 1980's and 1990's. In 1993, Great American Management and Investment (GAMI) integrated North Riverside, inclusive of Mighty, into Eagle Industries, Inc., a conglomerate of businesses which were wholly-owned by GAMI. At that point, North Riverside, whose offices were co-located with Mighty, assumed the role of a management company, responsible for the performance of Mighty and three other Eagle companies, all of which were in the automotive industry.

In 1992 the company secured real estate in Jackson, Tennessee, and constructed a 92,500 square foot distribution facility in which to house Mighty's national distribution center known as Mighty Product Center (MPC). MPC moved from a former location into their new complex at 2495 Dr. F.E. Wright Rd in Jackson during the month of December 1992.

In February 1996, the Mighty Management Team, led by then Chairman/Chief Executive Officer and Eagle Group Executive, Thomas R. Barry as controlling shareholder, acquired Mighty and its subsidiaries from Eagle Industries. Concurrent with the acquisition, the Corporation and multiple subsidiary corporations (including all company operations and the Mighty Product Center) were merged into a single new corporate entity, Mighty Distributing System of America, Inc.

In December 1999, MDSA, LLC, a Limited Liability Company was formed as a wholly-owned subsidiary of Mighty Distributing System of America, Inc. for the purpose of holding the operating assets and intellectual property of the franchised business.

In 1999, Mighty moved into a 24,105 square foot building which houses our corporate office today and our Mighty Atlanta's 6,723 square foot warehouse facility. Relocation into the facility at 650 Engineering Drive, Peachtree Corners, Georgia, was completed in September, 1999. Also in the latter part of that year, ground was broken on an expansion of MPC's warehouse facility in Jackson, TN. The 45,000 square foot expansion was completed in early 2000 bringing the total area under roof to 137,500.

In December 2009, Gonher North America, Inc. acquired MDSA, LLC from Mighty Distributing System of America, Inc. MDSA, LLC became a wholly-owned subsidiary of Gonher North America, Inc.

In August 2017 a second expansion of MPC was completed. The facility now includes 165,000 sq. ft. under roof.

MDSA, LLC is a member of the International Franchise Association's VetFran Program, which provides special incentives to qualified veterans.

## **Our Business**

As a franchisee, you will be a service-oriented, specialty supplier of high quality automotive products to the professionally installed automotive service trade. Each franchisee is awarded the exclusive rights to a specific territory. Franchisees operate as wholesalers, and typically lease, or own, a warehouse/office facility from which they operate their businesses. You order Mighty products from our supplier division known as Mighty Product Center (MPC), and other approved (non-affiliated) direct-ship suppliers, and maintain an appropriate inventory in your warehouse to service local customers through a proactive route sales and service format. Franchisees focus on selling a "stocking program," meaning they sell a "shop level" inventory (or "set-up") of one or more of Mighty's product lines. The Franchisee's salespeople make sales calls on their customers at regular intervals to build rapport, provide inventory control services, write "re-orders," provide training, technical and product information programs, and present additional products opportunities. Our unique approach to the installer marketplace is based on (1) providing the Mighty-branded product line of automotive parts which meet or exceed original equipment requirements, at (2) competitive selling prices, supported by (3) a high level of personal service, professional marketing, training, and technical support. Key services provided to professional repair and maintenance facilities are a nationwide warranty program, technical support, training, point of purchase materials, comprehensive product application data, and inventory control services such as obsolescence protection and stock management at customer locations.

As a franchisee, you develop, maintain, and grow a customer base that you and/or your employees service on a regular basis. All Mighty System franchisees must operate the Franchise in accordance with our standard Franchise Agreement and our Operations Manual. The Mighty Product Line is comprised primarily of high volume product categories which are commonly stocked at professional automotive service businesses. Most Mighty products are "wear-related" or maintenance-related, and consumers are becoming increasingly aware of the need to perform preventive maintenance services to keep their vehicles in good working order. We regularly evaluate the Mighty Product Line, and make additions and changes based on the business needs and opportunities of our franchisees and customers. We may also add elements to the Mighty System or modify, alter and delete elements of the System in our sole discretion.

We offer a formal training program (Franchise Operations Training) for new franchisees which we conduct at our home office, company-owned business locations, and in your newly awarded territory. We also provide ongoing training and support to all existing franchise businesses. The training and ongoing assistance we provide includes consulting on equipment and inventory selection, purchasing and inventory control, financial management, merchandising, advertising, sales techniques, information systems, and other matters under the Franchise.

Some of our franchisees were already engaged in some facet of the automotive service business when they signed their Franchise Agreement with us, such as tires stores, lubricants distribution or quick service operations. We refer to them as Strategic Franchisees and the only difference in the arrangement that they have with us is that we create and sign a rider to their Franchise Agreement that provides that the sale of products in their existing business are not subject to royalties. Starting in early 2014, we were approached by businesses in the automotive service business, such as a tire store chain, to see about becoming a Mighty franchise for the sole purpose of being able to sell Mighty products within their own stores. We entered into one such arrangement in July 2014, which we codified using a rider to our standard Franchise Agreement. That type of operator will be allowed to sell only to its own existing affiliated entities within a given territory, and because of that difference the rider also modifies the way the initial franchise fee is calculated and the way we measure their ongoing market penetration which as described in Item 12 of this Disclosure Document, is a minimum performance requirement that we require of our franchisees.

## **Other Suppliers**

In addition to sourcing products on behalf of the franchise system through MPC, we authorize other basic manufacturers to produce certain categories of the Mighty Product Line, and ship to each franchise location under closely monitored and regulated standards. Our Product Department evaluates potential suppliers and negotiates all prices paid by franchisees by taking advantage of the combined purchase volume of the entire System. The

online Mighty Buying Guide catalogs a list of the suppliers, costs, suggested resale prices and popularity codes for each part number and also includes certain information such as freight terms, volume discounts, and other policies. We update The Buying Guide as necessary.

The majority of our suppliers participate in a program whereby we guarantee payment to those suppliers for shipments made to all franchisees, and we serve as the central billing facility for those shipments. Invoices for such shipments to Mighty franchisees are routed to our home office for payment by us and, as a service to the franchise system, the invoices are consolidated into one monthly statement for each franchisee.

### **The Market**

The automotive aftermarket is a well-developed, mature industry which is highly fragmented. As a Mighty franchisee, your customers are professional automotive repair and maintenance facilities such as tire stores, quick lube centers, brake shops, specialty repair shops, automobile dealerships, fleets, service stations and garages. You compete with a wide range of businesses offering similar types of products and services, some of which are operated by large national and international companies. The effectiveness of your franchise will be based largely on your business and management skills, regular personal contact between you (or your employees) and your customers, understanding and meeting customer needs, quality control, and geographic location. Due to the commodity nature of most auto parts offerings, it is important for your franchise to establish a market differentiation from your competitors through personal service, relationship building, providing inventory control services and training programs for your customers.

### **Industry-Specific Regulations**

We are not aware of any laws or regulations specific to the automotive aftermarket industry that would affect your franchised business. You must comply with a number of federal, state and local laws or regulations that apply to businesses generally, including public accommodations, environmental, health and safety, disability, labor, zoning and construction. These and other such laws and regulations may vary from jurisdiction to jurisdiction, and it is your responsibility to be familiar and comply with all applicable laws and regulations.

## **Item 2** **BUSINESS EXPERIENCE**

### **Chief Executive Officer – Kenneth S. Voelker**

MDSA, LLC, Peachtree Corners, GA - Chief Executive Officer, January 1, 2020 to present; MDSA, LLC, Norcross, GA - President and Chief Executive Officer, December 23, 2009 to January 1, 2020. MDSA, LLC, Norcross, GA - President and Chief Operating Officer, December 6, 1999 to December 23, 2009; Mighty Distributing System of America, Inc. (Georgia corporation), Norcross, GA - President and Chief Operating Officer, February 28, 1996 to December 6, 1999; Mighty Distributing System of America, Inc. (Delaware corporation), Norcross, GA - President and Chief Operating Officer, August 1992 to February 28, 1996.

### **President – Joshua A. D'Agostino**

MDSA, LLC, Peachtree Corners, GA – President, January 1, 2020 to present; MDSA, LLC, Norcross, GA – Executive Vice President and Chief Development Officer, December 24, 2018 to January 1, 2020; MDSA, LLC, Norcross, GA – Executive Vice President, Sales and Business Development, August 1, 2017 to December 24, 2018; MDSA, LLC, Norcross, GA - Vice President, Business Development, February 22, 2016 to July 31, 2017; Genuine Parts Company, Atlanta, GA – Director, New Business Development, July 1, 2007 to February 16, 2016.

#### **Chief Operating Officer – Jesse A. Bradshaw**

MDSA, LLC, Peachtree Corners, GA - Chief Operating Officer, January 1, 2020- present; MDSA, LLC, Norcross, GA - Executive Vice President and Chief Operating Officer, December 24, 2018 to January 1, 2020; MDSA, LLC, Norcross, GA - Executive Vice President, Marketing and Product Management, August 1, 2017 to December 24, 2018; MDSA, LLC, Norcross, GA – Senior Vice President, Product Management, March 9, 2017 to August 1, 2017; MDSA, LLC, Norcross, GA - Vice President, Product Management, December 6, 1999 to March 9, 2017; Mighty Distributing System of America, Inc. (Georgia corporation), Norcross, GA - Vice President, Product Management, March 1, 1997 to December 6, 1999.

#### **Senior Vice President, Marketing – Gerald G. Vann**

MDSA, LLC, Peachtree Corners, GA - Senior Vice President, Marketing, December 24, 2018 to present; MDSA, LLC, Norcross, GA - Senior Vice President, Sales and Marketing, December 6, 1999 to December 24, 2018; Mighty Distributing System of America, Inc. (Georgia corporation), Norcross, GA - Senior Vice President, Sales and Marketing, February 28, 1996 to December 6, 1999; Mighty Distributing System of America, Inc., (Delaware corporation) Norcross, GA - Senior Vice President, Sales and Marketing, October 1993 to February 28, 1996.

#### **Vice President, Franchise Development and Operations – Chris L. Adams**

MDSA, LLC, Peachtree Corners, GA - Vice President, Franchise Development and Operations, January 2, 2020 to present; GreatAmerica Financial Services Corp. – Vice President, Business Development, Healthcare Unit, September 2017 to December 2019; GreatAmerica Financial Services Corp. - Vice President and General Manager, Healthcare Business Unit, April 2012 to August 2017; GreatAmerica Financial Services Corp.- Vice President, Sales and Marketing, Healthcare Business Unit, January 2010 to March 2012; GreatAmerica Financial Services Corp. - Director, Business Development, Retail Business Unit, September 2008 to December 2010; GreatAmerica Financial Services Corp.- National Account Manager, Retail Business Unit, September 2004 to August 2008; GreatAmerica Financial Services Corp. - Account Manager, Retail Business Unit, November 2003 to August 2004.

#### **Vice President of Operations– Sean Milligan**

MDSA, LLC, Peachtree Corners, GA – Vice President of Operations, January 18, 2021 to present; Automotive Supply Group, Subsidiary of Genuine Parts Company, Indianapolis, IN – Category Program Manager, January 2020 to January 2021; Balkamp, Subsidiary of Genuine Parts Company, Indianapolis, IN – Senior Director Category Management, June 2016 to December, 2019; Balkamp, Subsidiary of Genuine Parts Company, Indianapolis, IN – Director - Category Management, January 2014 to May 2016; Balkamp, Subsidiary of Genuine Parts Company, Indianapolis, IN – Product Manager - Tools & Equipment, April 2010 to December 2013; NAPA Auto Parts, Subsidiary of Genuine Parts Company, Indianapolis, IN – Sales Manager, March 2008 to March 2010; NAPA Auto Parts, Subsidiary of Genuine Parts Company, Salt Lake City, UT – Operations Manager, February 2006 to March 2008; Genuine Parts Company, Atlanta, GA – Business Analyst, September 2004 to February 2006; NAPA Auto Parts, Subsidiary of Genuine Parts Company, Salt Lake City, UT – Executive Assistance, February 2001 to August 2004; NAPA Auto Parts, Subsidiary of Genuine Parts Company, Cincinnati, OH – Executive Management Trainee, July 1999 to February 2001.

#### **Director, Franchise Operations – Carmen M. Strickland**

MDSA, LLC, Peachtree Corners, GA – Director, Franchise Operations, February 5, 2018 to present; MDSA, LLC, Norcross, GA – Product & Information Systems Manager, October 26, 2007 to February 4, 2018; Field Systems Manager, December 3, 1998 to October 25, 2007; Field Systems Support Specialist, January 21, 1994 to December 2, 1998; Programmer Analyst, January 21, 1993 to January 20, 1994.



Item 3  
LITIGATION

Other than the action described below, no litigation must be disclosed in this Item.

**Pending Actions**

None

**Litigation Against Franchisee Commenced in the Past Fiscal Year**

None

**Concluded Actions**

None

Item 4  
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

## Item 5 INITIAL FEES

### **Franchise Fee**

You must pay a one time franchise fee ("Franchise Fee") when you sign the Franchise Agreement. When you pay us the Franchise Fee, we award you an exclusive license to operate a Mighty business within a geographically defined Franchise Territory. The amount of the Franchise Fee varies according to the number of registered vehicles within the Franchise Territory.

The Franchise Fee for a Mighty franchise consists of two components: a Initial Training and Setup Fee and a License Fee. The Initial Training and Setup Fee is a fixed amount, currently \$7,500. The Initial Training and Setup Fee provides for initial training which includes classroom instruction at our facilities in the Atlanta area, field training in your Franchise Territory, and much of the ongoing training throughout your tenure as a franchisee. It also provides for our initial administrative activities including franchise document preparation, initial inventory order preparation, central billing set up, and filing fees. The License Fee is calculated based on the number of registered vehicles in the Franchise Territory, currently \$0.035 per vehicle. For example, the license fee for a territory containing 500,000 vehicles is \$17,500, and the total Franchise Fee is \$25,000 (\$7,500 initial training and setup fee and \$17,500 license fee). The License Fee provides for the exclusive right to the Mighty business systems and trademark, as well as the right to do business in the Franchise Territory. We derive revenue from the License Fee to support our general operating expenses. The License Fee may range from \$17,500 for 500,000 vehicles to \$52,500 for 1,500,000 vehicles. Generally, we do not license a territory containing less than 500,000 registered vehicles or more than 1,500,000 vehicles. The minimum License Fee is \$10,000. If we do license a territory containing more than 1,000,000 vehicles, the License Fee will be capped at \$75,000. We use the most current annual data from *Devonshire Marketing Information Management* to calculate the number of vehicles in a Franchise Territory, and revise the totals each year. The Franchise Fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by us before and upon opening your franchise and for our lost or deferred opportunity to grant franchises to others.

### **Initial Inventory**

Your Mighty inventory must be purchased from our approved suppliers, one of which is our own supplier division, MPC. The portion of the payment for initial inventory that must be purchased from us through the Mighty Product Center (MPC) is estimated to be \$30,000 to \$60,000. We work with you to determine the appropriate initial product amounts and types and help to prepare your initial order. We do not provide financing for these expenses, except as described in Item 10, under a line of credit for our franchisees. We grant you the right to extend payment for your initial inventory in three equal installments due in 30, 60, and 90 days. The initial inventory cost is not refundable, except that we may choose to repurchase some or all of your inventory upon termination of your franchise.

## Item 6 OTHER FEES

| <b><u>Type of Fee</u></b>                                    | <b><u>Amount</u></b>                                                            | <b><u>Date Due</u></b>                                        | <b><u>Remarks</u></b>                                                                                    |
|--------------------------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Franchisees Association Initiation Fee <u>1</u> , <u>5</u> / | \$250                                                                           | Upon signing Franchise Agreement                              | Initiation fee for initial membership in the Mighty Franchisees Association                              |
| Royalty - Option A <u>2</u> , <u>5</u> /                     | 5% of Gross Volume of Business for the first year; second year of operation the | Payable monthly by the 25 <sup>th</sup> day of the next month | Gross Volume of Business (see Section 4.2.1 of the Franchise Agreement) means all revenue related to the |

| <u>Type of Fee</u>                         | <u>Amount</u>                                                                                                                                                                                                                                                                                | <u>Date Due</u>                                               | <u>Remarks</u>                                                                                                                                                                                                    |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | greater of 5% of Gross Volume of Business or \$500 per month; third year of operation and after the greater of 5% of Gross Volume of Business or \$1,000 per month;                                                                                                                          |                                                               | Franchised Business, except taxes and sales to other Mighty franchisees                                                                                                                                           |
| Royalty - Option B <u>2</u> , <u>5</u> /   | Or (alternatively by mutual agreement) 8.3% of Gross Product Purchases for the first year; second year of operation the greater of 8.3% of Gross Product Purchases or \$500 per month; third year of operation and after the greater of 8.3% of Gross Product Purchases or \$1,000 per month | Payable monthly by the 25 <sup>th</sup> day of the next month | Gross Product Purchases (see Section 4.2.1 of the Franchise Agreement) means the collective gross purchases of the Mighty Product Line by you and/or the Franchised Business from us, our affiliates or suppliers |
| Advertising (FRANAD) <u>3</u> , <u>5</u> / | As determined by the Members, currently 0.5% of Gross Volume of Business (maximum of 1%), with a minimum annual contribution of \$1,200 and a maximum annual contribution of \$15,000(\$1,250 per month)                                                                                     | Payable monthly by the 25 <sup>th</sup> day of the next month | New franchisees are granted a two-year phase-in period before they must meet the minimum contribution of \$1,200                                                                                                  |
| Transfer <u>2</u> , <u>5</u> /             | 50% of license fee component of Initial Franchise Fee (currently \$0.035 per registered vehicle), except for transfers to Immediate Family Members (the greater of 25% of license fee component of Initial Franchise Fee or \$2,000); fee is capped at \$37,500, but no less than \$10,000   | Payable at time of transfer                                   | See Section 15 and Exhibit D of Franchise Agreement                                                                                                                                                               |

| <u>Type of Fee</u>                                   | <u>Amount</u>                                                                                                                                                                                                                                                       | <u>Date Due</u>              | <u>Remarks</u>                                                                                                                                           |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Territory Expansion (Optional) <u>4</u> , <u>5</u> / | Initial franchise fee license component (currently \$0.035 per vehicle) based on the increase in vehicles prorated in accordance with remaining term of acquiring franchisee's Franchise Agreement, not to exceed 50% reduction, plus administration fee of \$2,000 | Payable at time of expansion | Franchise territory expansion must be approved. See Exhibit D of the Franchise Agreement                                                                 |
| Renewal <u>2</u> , <u>5</u> /                        | \$2,500, \$5,000 or \$7,500 depending on registered vehicle totals                                                                                                                                                                                                  | Payable at time of renewal   | Renewal terms extend for 5 years; 1 year extensions may be granted as an alternative in cases of noncompliance; See Exhibit D of the Franchise Agreement |
| Audit <u>2</u> , <u>5</u> /                          | Cost of Audit                                                                                                                                                                                                                                                       | Upon demand                  | Payable only if audit reveals understatement of Gross Volume of Business of 5% or more                                                                   |
| Service Charges <u>2</u> , <u>5</u> /                | Lesser of 18% per year or maximum rate permitted by law                                                                                                                                                                                                             | Upon demand                  | Payable on overdue amounts                                                                                                                               |
| Additional Training <u>2</u> , <u>5</u> /            | All expenses                                                                                                                                                                                                                                                        | As incurred                  |                                                                                                                                                          |

1. You must join the Mighty Franchisees Association ("Association") for two initial years as described in the Operations Manual. Participation in the Association beyond two initial years is at your discretion, although we recommend that you and all franchisees maintain active membership to avail yourself, and us, of clear and effective representation of your needs. We collect your non-refundable membership initiation fee payment and forward it to the Association. The Association will bill you directly for membership dues (currently \$300 per year) on an annual or pro-rata basis, depending on your start date as a Mighty Franchisee. We are not a member of the Association, and have no voting power within the Association.
2. These fees are imposed by and payable to us and are non-refundable.
3. We collect your advertising fee payments and deposit them into the advertising fund that is managed by the FRANAD Board of Directors; these fees are non-refundable. FRANAD, INC. and our participation in FRANAD, INC. are described in Item 11.
4. Territory expansion is described in Item 12.
5. All fees are uniformly imposed.

Item 7  
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT  
(FRANCHISE TERRITORY SIZE: 500,000 – 1,500,000 VEHICLES)

| TYPE OF EXPENDITURE                                  | AMOUNT               | TO WHOM PAYMENT IS TO BE MADE  | WHEN DUE                     | METHOD OF PAYMENT        |
|------------------------------------------------------|----------------------|--------------------------------|------------------------------|--------------------------|
| <b><u>STANDARD EXPENSES:</u></b>                     |                      |                                |                              |                          |
| Initial Franchise Fee – Training and Setup <u>1/</u> | \$7,500              | MDSA                           | Upon signing Franchise Agmt. | Lump Sum                 |
| Franchisees Assn. Initiation Fee <u>2/</u>           | \$250                | Mighty Franchisees Association | Upon signing Franchise Agmt. | Lump Sum                 |
| Franchisees Assn. Dues <u>2/</u>                     | \$300 per year       | Mighty Franchisees Association | As Arranged                  | Lump Sum                 |
| Real Property <u>3/</u>                              | \$18,000 - \$48,000  | Third Party                    | As Arranged                  | As Arranged              |
| Office Equipment                                     | \$1,500 - \$2,000    | Third Party                    | As Arranged                  | As Arranged              |
| Warehouse Equipment                                  | \$5,000 - \$20,000   | Third Party                    | As Arranged                  | As Arranged              |
| Stationery, Other Start-up Supplies                  | \$250                | Third Party                    | As Arranged                  | As Arranged              |
| Initial Training Travel Expense <u>4/</u>            | \$1,200 - \$1,800    | Third Party                    | As Arranged                  | As Arranged              |
| Professional Fees <u>5/</u>                          | \$500 - \$1,000      | Professionals                  | As Arranged                  | As Arranged              |
| <b><u>EXPENSES DETERMINED BY MARKET SIZE:</u></b>    |                      |                                |                              |                          |
| Initial Franchise Fee – 10-Year License <u>1/</u>    | \$17,500 - \$52,500  | MDSA                           | Upon Signing Franchise Agmt. | Lump Sum                 |
| Opening Inventory <u>6/</u>                          | \$75,000 - \$150,000 | MDSA & Approved Suppliers      | 30/60/90 day terms           | Three Equal Installments |

| TYPE OF EXPENDITURE                                                         | AMOUNT               | TO WHOM PAYMENT IS TO BE MADE                 | WHEN DUE               | METHOD OF PAYMENT |
|-----------------------------------------------------------------------------|----------------------|-----------------------------------------------|------------------------|-------------------|
| Vehicle(s) <u>7/</u>                                                        | \$40,000 - \$80,000  | Third Party                                   | As Arranged            | As Arranged       |
| Computer/<br>Software                                                       | \$3,500 - \$6,500    | Third Party                                   | As Arranged            | As Arranged       |
| Initial Promotions                                                          | \$5,000 - \$10,000   | Third Party                                   | As Arranged            | As Arranged       |
| Required Insurance <u>8/</u>                                                | \$2,000 - \$3,500    | Independent Insurance Co.                     | As Arranged            | As Arranged       |
| Deposits,<br>Licenses <u>9/</u>                                             | \$500 - \$1,500      | Utility Companies<br>Govt.<br>Agencies        | As Arranged            | As Arranged       |
| Additional Funds<br>(3-6 months) <u>10/</u>                                 | \$50,000 - \$100,000 | Employees/<br>Vendors/<br>Other Third Parties | As Needed/<br>Incurred | As Arranged       |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT: \$228,000 - \$485,100 <u>11/</u></b> |                      |                                               |                        |                   |

The above projections are estimates of the total initial investment you can make as a Mighty franchisee. The estimates are based on projected expenditures and do not necessarily reflect your level of investment. Your investment and expenditures may vary considerably from the projections shown above, depending upon many factors, including inflation, geographical area, and the capabilities of your management and service team.

1. The Initial Franchise Fee is described in detail in Item 5. Upon execution of the Franchise Agreement, the Initial Franchise Fee is non-refundable.
2. The \$250 fee represents the one-time initiation fee for membership in the Mighty Franchisees Association ("Association"). The Association will bill you directly for membership dues (currently \$300 per year) on an annual or pro-rata basis, depending on your start date as a Mighty Franchisee.
3. You may not need to purchase or lease any real estate, but must have a minimum of 3,000 – 5,000 square feet of inventory storage space. Your warehouse must be located within the franchise territory. The cost of leasing commercial space varies considerably depending on factors such as size, condition and location of the leased premises. We estimate that your rent will be between \$18,000 and \$48,000 per year, and you should anticipate paying a security deposit of one month's rent. See Item 11 of this disclosure document for further details.
4. You must cover your travel, lodging, and food expenses and those of any employees while attending our initial training program. The actual cost depends on the distance you must travel and the type of accommodations you choose.

5. It is advisable for you to consult with an attorney, accountant or other professional advisors regarding creation of the legal structure of your business entity and other professional advice.
6. The portion of the inventory payment that must be purchased from us through MPC is estimated to be \$30,000 to \$60,000.
7. This amount represents purchase of new or good used vehicle(s) for the Franchised Business; however, vehicle leasing is an option.
8. This amount represents prepayments. Insurance requirements are further described in Section 14 of the Franchise Agreement.
9. We assume that you need to pay deposits for utilities. You also need to obtain business licenses and pay fees as may be required by your state and local governments.
10. You need additional funds for living expenses, salaries, negative cash flow, and other costs, to the extent that such costs are not covered by operating profits during the start-up phase of the franchised business. Our estimate of additional funds is not an assurance that you will not need further funds initially, or over the life of your franchised business. The actual needs of each franchised business vary and are subject to factors beyond our control, such as local economic conditions and your sales and management skills and business acumen.
11. We relied on our, and our predecessors' combined 58 years of experience in the automotive aftermarket industry to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase a Mighty franchise.

LIQUIDITY REQUIREMENTS - As a general rule, at least 50% of the initial capital requirements for a Franchised Business should be contributed in the form of unencumbered cash equity from you and/or your co-investors. Often, up to 50% may be capitalized by outside financing. IMPORTANT: As stated in the Franchise Agreement, we hold a first position security interest (perfected by a UCC-1 Financing Statement and a Purchasing and Security Agreement) in the inventory and accounts receivable of all Mighty franchisees to secure our credit exposure. Collateral offered to lending institutions for franchise financing should be in the form of personal or business assets other than the inventory and accounts receivable of your Franchised Business.

Except as described in Item 10 of this disclosure document, neither MDSA nor any person affiliated with MDSA offers any financing to franchisees.

## Item 8

# RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### **Product Line Requirements**

The Mighty Product Line consists of automotive replacement parts, chemicals, lubricants, accessories, equipment, and supplies for passenger cars, trucks, and vans. Our supplier division, MPC, is an approved supplier of the Mighty Product Line, but you are not required to purchase from us. You may purchase the Mighty Product Line from MPC or other approved (non-affiliated) suppliers at prices stated in our online Buying Guide, or from other suppliers under certain conditions at prices which you must negotiate. There are no other approved suppliers in which any of our officers owns an interest. An approved supplier list with corresponding product lines is attached to this disclosure document as Exhibit G.

You must offer and maintain an inventory of "Major Product Categories" as identified in the Operations Manual. A Major Product Category is one that represents a minimum of 10% of Mighty System sales or one that may be expected to represent a minimum of 10% of Mighty System sales based on our Pilot Test. You must maintain a warehouse inventory within your franchise territory and use your best efforts to distribute the automotive products within each Major Product Category. This requirement helps assure uniform product offerings across all Mighty franchises. Since the major product categories are based on actual System sales, they may change depending on sales and market patterns.

We also make available a number of product lines that are not part of the major product categories, although you are not required to carry them.

### **Approval of Mighty Product Line**

The Mighty Product Line is manufactured to our demanding specifications and made available by a network of suppliers, which we approve to provide automotive products under the Mighty trademark to be distributed solely to licensed franchisees. By buying direct from the manufacturer, and passing on negotiated national buying programs to our franchisees, who sell to professional automotive service facilities, we consolidate the conventional warehouse distribution and parts jobber distribution steps into a more efficient supply chain.

Products are selected by us based on quality, price, specifications and market demand. Each Mighty-branded product undergoes product line approval at our home office. We regularly evaluate the Mighty Product Line and may make additions and changes based on the business needs and opportunities of our franchisees.

The Product and Marketing departments analyze the demands of the marketplace, as well as franchisee and supplier recommendations for any proposed new products or product lines. On an annual or as needed basis, staff from the Product and Marketing departments will meet with the Mighty Franchisees Association Board of Directors. If it's determined that a new product or product line is needed, an analysis of potential suppliers will be initiated by the Product department. A test market may then be conducted. Mighty System members are asked to participate in the test market on a voluntary basis under the direction of the Product department. If test results are favorable, and it's decided to introduce the new product or product line, the Product and Marketing departments implement its introduction into the Mighty System.

### **Purchases from Approved Suppliers**

All Mighty parts are produced by leading manufacturers in the United States and around the world, and are manufactured to meet or exceed original equipment requirements and new car warranty requirements. Mighty Product Managers visit factories and engineering labs around the world searching for automotive products which pass our criteria for quality, product availability and competitive pricing. The time period for supplier approval varies from 30 days to 180 days depending on the supplier and product type. The specific criteria and procedure for our approval or disapproval of these manufacturers is available upon request. We do not collect or grant any fees in securing our approved manufacturers.



The Buying Guide provides all necessary information, including prices, for you to place orders for approved Mighty products from MPC and from other approved suppliers and manufacturers. An approved supplier list is attached to this disclosure document as Exhibit G. We periodically furnish updates to the supplier list in the Buying Guide or otherwise in writing.

The majority of our approved suppliers participate in our central billing service and pay us a 3% fee for these services, which we use to offset the cost of central billing and credit management. A supplier may elect not to take advantage of central billing service and therefore would not be required to pay the 3% fee. The products offered by those manufacturers and suppliers are available directly from them. The approved suppliers who do not currently take advantage of our central billing service are designated with an asterisk on Exhibit G to this disclosure document.

We do not provide any material benefits (e.g., renew or grant additional licenses) to any franchisee based on its use of a designated or approved supply source or purchase of particular products or services.

We do not operate or maintain buying, purchasing or distribution cooperatives. Our Product Department negotiates all prices paid by franchisees by taking advantage of the combined purchase volume of the entire system.

### **Purchases from Other Suppliers**

You may purchase and distribute automotive products from suppliers that are not approved Mighty suppliers and manufacturers, on the following conditions:

- (1) the products are of comparable quality (meeting original equipment requirements);
- (2) product samples are submitted to Product Management for inspection initially and each year after, along with manufacturer's data, including, but not limited to, catalogs, product brochures, and price sheets;
- (3) we approve the products, in writing, with approval not to be unreasonably withheld;
- (4) the products are packaged with Mighty's product label, when we believe it to be appropriate; and
- (5) the manufacturer provides a certificate of product liability insurance which is updated annually and is comparable to certificates that our approved suppliers and manufacturers furnish.

In addition, you may sell "supplementary" products that meet our specifications and product liability requirements described in the Operations Manual, which we do not otherwise disapprove, if your total sales of supplementary products do not exceed 5% of your total sales. If market conditions warrant sales exceeding the 5% maximum, you may make those sales with our approval and subject to the requirements in subsections (1) through (5) above.

We do not derive revenue or other material consideration from your purchases from other suppliers. However, sales of such products will be included in your gross volume of business for purposes of calculating royalty and advertising fees due to us.

### **Purchases of Equipment and Supplies**

You may purchase your equipment, furnishings and supplies (e.g., vehicles, office supplies) from any source, if they meet the specifications in the Operations Manual. You must purchase, install, and use a computer system (hardware and software), as described in the Operations Manual. Before or upon opening your franchise, you must access the Franchisee portal on our corporate website which allows you to communicate electronically and share information with us and other Mighty franchisees through an online Forum. The portal service is hosted by us at no additional cost. To access the service, you will need internet access. Internet access must be obtained through your local ISP at your own additional cost, in order to access the Forum service. Your cost for Internet access will vary depending on which ISP you choose and whether you select a free service provider. You may be required to upgrade hardware or software during the term of the Franchise Agreement, and periodic upgrades are highly recommended.

If you purchase or lease any equipment or supplies that we have not previously approved, we may require you or the manufacturer to submit a written request for our approval. We may also require certain information, tests, and inspections, at no expense to us, as a condition of approval.

## **Insurance**

Before opening the Franchised Business, you must procure insurance with carriers acceptable to us. The current requirements are for you to maintain general liability, product liability, and business automobile insurance (minimum limit of \$1,000,000 per occurrence) covering the operation of the Franchised business and inventory loss insurance for all Mighty product inventory stored at your primary warehouse. In addition, you must maintain employer's liability, workers' compensation and life insurance covering the franchisee. The Operations Manual specifies the types and amounts of insurance that you must procure. We estimate the annual cost of premiums for required insurance coverages to range from \$1,500 - \$3,500.

## **Revenue from Product Purchases**

We derive revenues from your purchases of the Mighty Product Line. According to our financial statements for the fiscal year ending December 31, 2020 (attached as Exhibit C-1 to this disclosure document), our total revenues from the sale of automotive products was \$88,021,951 of our total gross revenue of \$95,418,554. Of the \$88,021,951, 65.08% (\$57,288,661) represented "pass-through" billing of products invoiced through our Central Bill System in association with direct shipments to Mighty franchisees by approved Mighty Suppliers. 34.92% (\$30,733,290) represented purchases by franchisees from our supplier division MPC.

We estimate that your purchase of inventory will represent approximately 25% to 35% of the total initial investment needed to establish a franchise in an undeveloped territory, and 90% to 95% of ongoing purchases and leases.

## **Item 9**

### **FRANCHISEE'S OBLIGATIONS**

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

| <b><u>Obligation</u></b>                                   | <b><u>Section in Agreement</u></b>                         | <b><u>Disclosure Document Item</u></b> |
|------------------------------------------------------------|------------------------------------------------------------|----------------------------------------|
| a. Site selection and acquisition/lease                    | Section 1 of Franchise Agreement                           | Items 8 and 11                         |
| b. Pre-opening purchases/leases                            | Sections 7.9 and 8.1 of Franchise Agreement                | Items 5, 7, and 8                      |
| c. Site development and other pre-opening requirements     | Sections 5, 6 & 7 of Franchise Agreement                   | Items 8 and 11                         |
| d. Initial and ongoing training                            | Sections 3.1.2, 6.1 and 6.2 of Franchise Agreement         | Item 11                                |
| e. Opening                                                 | Sections 3.1, 5.1, 5.2, 5.3 and 6.1 of Franchise Agreement | Item 11                                |
| f. Fees                                                    | Section 4 of Franchise Agreement                           | Items 5 and 6                          |
| g. Compliance with standards and policies/operating manual | Section 7 and 10 of Franchise Agreement                    | Items 11 and 14                        |

| <b><u>Obligation</u></b>                               | <b><u>Section in Agreement</u></b>                                                                                                 | <b><u>Disclosure Document Item</u></b> |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| h. Trademarks and proprietary information              | Sections 1, 9, 10.2, 11, and 18.4 of Franchise Agreement                                                                           | Items 13 and 14                        |
| i. Restrictions on products/services offered           | Sections 7.1, 7.5, 7.6 and 7.7 of Franchise Agreement                                                                              | Items 8 and 16                         |
| j. Warranty and customer service requirements          | Section 18.1 of Franchise Agreement                                                                                                | Item 11                                |
| k. Territorial development and sales quotas            | Section 7.4 of Franchise Agreement                                                                                                 | Item 12                                |
| l. Ongoing product/service purchases                   | Sections 7.1, 7.5, 7.6, 7.7, 7.8, 7.12 and 3.3.1 of Franchise Agreement; Sections 4, 5, and 6 of Purchasing and Security Agreement | Item 8                                 |
| m. Maintenance, appearance and remodeling requirements | Section 7 of Franchise Agreement                                                                                                   | None                                   |
| n. Insurance                                           | Section 14 of Franchise Agreement                                                                                                  | Item 7                                 |
| o. Advertising                                         | Section 13 of Franchise Agreement                                                                                                  | Items 6 and 11                         |
| p. Indemnification                                     | Section 21 of Franchise Agreement                                                                                                  | None                                   |
| q. Owner's participation/management/staffing           | Sections 6.1, 6.2 and 7.17 of Franchise Agreement                                                                                  | Item 15                                |
| r. Records and reports                                 | Section 12 of Franchise Agreement                                                                                                  | Item 6                                 |
| s. Inspections and audits                              | Sections 3.2.4, 7.16, 12.4 and 12.5.3 of Franchise Agreement                                                                       | Items 6 and 11                         |
| t. Transfer                                            | Section 15 of Franchise Agreement                                                                                                  | Item 17                                |
| u. Renewal                                             | Section 2 of Franchise Agreement                                                                                                   | Item 17                                |
| v. Post-termination obligations                        | Section 17 of Franchise Agreement                                                                                                  | Item 17                                |
| w. Non-competition covenants                           | Section 18 of Franchise Agreement                                                                                                  | Item 17                                |
| x. Dispute resolution                                  | Section 27 of Franchise Agreement                                                                                                  | Item 17                                |
| y. Other (describe)                                    | None                                                                                                                               | None                                   |

## **Item 10** **FINANCING**

Except as described below, we do not make any financing arrangements for you.

We establish for you a designated line of credit against which you can purchase products from participating approved suppliers. We base your credit limit on your individual circumstances, and we review it periodically. We reserve the right to withhold credit in our sole discretion. All products purchased through your line of credit are subject to the terms and conditions of the Purchasing and Security Agreement (a current copy is attached as Exhibit F to the Franchise Agreement) and the invoices accompanying the products ordered. We bill you monthly, and payment in full will be due by the 25<sup>th</sup> day of the month following the statement date, except that we may allow you to extend payment for your initial inventory or certain categories of orders in up to three equal installments over 30, 60, and 90 days. You can earn a prompt pay discount of 1/2% (0.005) on that amount paid by the 10<sup>th</sup> day of the month following the statement date. In addition, certain suppliers offer us prompt pay discount of 2% which is offered to you in lieu of the 1/2%. Any overdue payments will be charged a late fee at the rate of 1 1/2% of the unpaid balance, per month. We apply this late fee for each month, or partial month, that the amount remains unpaid. If you default in your payment obligations, we may suspend further shipments, require cash in advance for all purchases or exercise our right to foreclose on our security interest in your inventories, accounts receivable, and any other collateral. Your failure to make timely payments of amounts due to us may also result in termination of your franchise, as detailed in Item 17 of this disclosure document.

You must sign our current Purchasing and Security Agreement when you sign the Franchise Agreement. This Agreement secures all your obligations under the Franchise Agreement and your payment for any products purchased through your line of credit. In addition to the Purchasing and Security Agreement, we file a standard Uniform Commercial Code Financing Statement to perfect our security interest in the collateral (a sample copy is attached as Exhibit F2 to the Franchise Agreement).

The Purchasing and Security Agreement does not contain any waiver of legal rights or defenses or similar provisions. We will not guarantee any financing agreement that you execute.

Under the terms of a bank loan agreement, our predecessor granted the lender a security interest in all of its equipment, fixtures, accounts receivable, notes receivable and inventory, resulting in a collateral assignment of our right to payment for goods sold to franchisees pursuant to the Purchasing and Security Agreement. We intend to continue this practice in the future.

Except as described above, neither us nor our predecessor in the past sold, assigned or discounted to a third party, in whole or in part, any note, contract or other instrument executed by a franchisee. Also except as noted above, we do not now assign any loan agreements, security agreements, or any rights or obligations under such agreements, to any third party, nor have we done so in the past, nor do we have any intention of doing so in the future.

We receive no payment from any person offering financing or arranging for the placement of financing for a prospective franchisee.

## Item 11

### FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

#### **Pre-Opening Obligations**

Before you open your Franchised Business, we (or our designee) will:

Designate your franchise territory (Section 1 of the Franchise Agreement). Provide you with a copy of, or electronic access to, our buying guides and confidential manuals, including our on-line "Buying Guide" and "Operations Manual" (Section 3.1.1 of the Franchise Agreement). Although we allow use of the Operations Manual by you during the term of the Franchise Agreement, the Operations Manual belongs solely to us, and is for your confidential use only (Section 10 of the Franchise Agreement). A copy of the table of contents of the 76 page Operations Manual is attached as Exhibit F to this disclosure document.

Before beginning to operate the Franchised Business or within 90 days after both you and we have signed the Franchise Agreement, we will conduct for you and/or your Designated Manager approximately five to ten days of training in the operation of the Franchised Business, including classroom business and sales training and field sales and operations training (Section 3.1.2 of the Franchise Agreement). We have a right to extend the 90 days at our discretion. We, or a person that we designate, conduct(s) such training during normal business hours at a site that we designate. You must pay for yourself and any employees' travel costs and living expenses connected with such training.

Sell to you a portion of your opening inventory (Section 7 of the Franchise Agreement).

Provide pre-opening or opening assistance in the initial operation of the Franchised Business.

Inform you, to the best of our knowledge of specifications and possible sources for fixtures, furniture, equipment, and other items needed for the operation of your Franchised Business (Section 3.1.4 of the Franchise Agreement). The Operations Manual provides written guidelines for certain items such as vehicle type and appearance, dress codes, and business stationery. Some of these items are available from Mighty approved suppliers as noted in the Buying Guide.

Provide you with forms and pre-opening materials to use in operating the Franchised Business (Section 3.1.5 of the Franchise Agreement). The forms and materials are subject to our specifications, and reproduction of any of these materials by your local vendors is subject to our approval.

#### **Continuing Obligations**

During the operation of the Franchised Business, we (or our designee) will:

Provide continuing business and sales training for such periods and at such locations as we may designate (Section 3.2.1 of the Franchise Agreement). A detailed discussion of our training programs is included in this Item 11.

Provide periodic assistance in local advertising and marketing, including such materials as merchandising materials, sales materials, special promotions and similar advertising at a reasonable price, plus handling (Section 3.2.2 and 13.5 of the Franchise Agreement).

Provide periodic individual or group counseling in the operation of the Franchised Business in person, via telephone or video conferencing, by seminar, or by newsletters or bulletins (Section 3.2.3 of the Franchise Agreement).

Conduct inspections of the operation of the Franchised Business (Section 3.2.4 of the Franchise Agreement).

Provide advice and guidance concerning operating techniques, methods, and business procedures for Mighty Businesses (Section 3.2.5 of the Franchise Agreement).

Provide active and continuing assistance in the purchase of the Mighty Product Line, which you sell and distribute, and the opportunity to participate, on the same basis as other similar franchisees, in group purchasing programs for products, supplies, and insurance (Section 3.2.6 of the Franchise Agreement).

Provide a list of suppliers of automotive products, supplies, chemicals, equipment and related products approved as part of the Mighty Product Line (Section 3.2.7 of the Franchise Agreement).

Provide the opportunity to participate on the same basis as other similar franchisees in our National/Regional Account Program as described in the Operations Manual (Section 3.2.8 of the Franchise Agreement).

Conduct, as we believe advisable, inspections and audits of your operation of the Franchised Business (Section 7.10, 7.16, and 12.4 of the Franchise Agreement).

We are not obligated by the Franchise Agreement or any other agreement to provide any other supervision, assistance, or services for the ongoing operation of your Franchised Business. Any duty or obligation imposed on us by the Franchise Agreement may be performed by any of our designees, employees, or agents, as we may direct.

### **Advertising and Promotion**

FRANAD, INC. ("FRANAD"), a nonprofit corporation which serves as a cooperative advertising trade association for Mighty franchisees, maintains and administers the Mighty Advertising Fund ("Fund") for national and/or regional advertising, public relations, marketing programs, marketing research, sales programs and tools. FRANAD directs all such advertising with sole discretion over the concepts, materials and media used (Section 13 of the Franchise Agreement). A copy of the bylaws governing FRANAD is attached to this disclosure document as Exhibit B.

Franchisees are not required to participate in a local or regional cooperative.

All franchisees must join FRANAD. The Fund is intended to maximize general public and automotive trade recognition, acceptance and use of the Licensed Marks for the benefit of the Mighty System as a whole. FRANAD is not obligated to make expenditures for you which are equivalent or proportionate to your contribution or to ensure that you benefit directly or pro rata from its expenditures.

The business and affairs of FRANAD are managed by a Board of Directors consisting of seven directors. Franchisee members choose the three Franchisee Directors, and we choose the four Corporate Directors. FRANAD also has a Council consisting of seven members, all of whom are Mighty franchisees or salespeople. Three of the Council members are the same persons then in office as Franchisee Directors, and four of the Council members are elected by franchisees. The Council makes recommendations to the Board of Directors about any matters pertaining to FRANAD. The Board of Directors must consider in good faith any Council recommendations, but the Board's decisions about any such recommendations are final. We do not have the power to change or dissolve the Council nor do we have the power to require cooperatives to be formed, changed, dissolved or merged.

The Fund, all contributions to it, and any earnings on it, are used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials and services to the businesses operating under the Mighty System, and any other activities which FRANAD believes will enhance the image of the System and build the MIGHTY® brand. Such costs may include print media placement; creative production costs; advertising agency and public

personality costs; costs to attend and exhibit at industry trade shows, sales promotions, meeting and administrative costs; and other advertising placed in or through any medium deemed appropriate for promotional purposes.

In addition, FRANAD typically places advertising in appropriate trade magazines to target existing and potential customers for the Mighty Product Line. When possible, FRANAD supplies copies of such advertising to franchisees. Funds are also commonly set aside to provide franchisee low-cost or no-cost advertising and promotional materials, such as banners, posters, calendars, and brochures. FRANAD encourages franchisees to take advantage of opportunities to advertise locally, and FRANAD produces materials for this purpose that individual franchisees can customize for their most appropriate use.

Outside advertising agencies and we prepare advertising for FRANAD. FRANAD does not use any funds for advertising that is principally a solicitation for the sale of franchises.

You must conform your advertising and promotion to the standards and requirements that we specify. You may not use advertising or promotional plans or materials that we or our designated agents have not previously approved or prepared (Sections 7.14 and 13.7 of the Franchise Agreement). In addition, you must obtain and maintain any special promotional materials of the kind and size as we may reasonably require for comparable franchisees (Section 13.6 of the Franchise Agreement).

FRANAD expenditures in any fiscal year may not exceed the total expenses budgeted in its annual budget, unless it receives the prior unanimous approval of the members of the Board of Directors. FRANAD may not borrow any funds without the prior unanimous approval of the members of the Board of Directors.

All franchisees must contribute a monthly fee to the Fund in an amount established by FRANAD. FRANAD's bylaws specify the procedures for determining and adjusting the contribution rate and the annual contribution minimum or maximum, if any. Currently the fee is 0.5% of the first \$3,000,000 in annual Gross Volume of Business, resulting in a maximum possible, annual contribution of \$15,000 (\$1,250 per month) per franchise. The minimum annual contribution is \$1,200 (\$100 per month). The percent of contribution is capped under the bylaws at 1%. New franchisees acquiring undeveloped territories are granted a phase-in period before they must meet the minimum contribution of \$100 per month. For the first 12 months of operation, such new franchisees contribute 0.5% of the Gross Volume of Business per month, with no minimum. For months 13-24, the monthly contribution is the greater of \$50 per month or 0.5% of the Gross Volume of Business. Thereafter, the \$100 per month minimum applies.

All businesses owned or operated by us as part of the Mighty System contribute to the Fund on the same basis as franchisees.

We contribute to the Fund each year an amount equal to that actually contributed by all franchisees, but we are not required to match the Fund contributions of our affiliates. If franchisee contributions exceed 0.5% of Gross Volume of Business in a fiscal year, we will determine in our reasonable discretion the amount of additional contributions we make to the Fund.

FRANAD pays us a management fee to administer disbursement of Funds and other FRANAD activities. All sums paid to the Fund are maintained in an account separate from our monies and are not used to defray any of our expenses, except for those reasonably allocable to advertising, or such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the administration and direction of the Fund and its advertising programs, including costs of personnel for creating and implementing advertising, promotional, and marketing programs. The Fund and any earnings on it will not otherwise benefit us. The Fund is audited annually, and a copy of the audited report is provided to the Board and available to all franchisees annually.

During the last fiscal year, monies in the Fund were spent in the following manner: 31% for trade advertising, social media and web, 15% for promotions, 9% for the Franchisee Advertising Co-op Fund, 7% for new business Incentives, 27% for professional and administrative expenses, 5% for public relations, 5% for point of sale items, and 1% for other expenses including travel, phone taxes, and mailing costs. Some of the administrative expenses were paid to MDSA, LLC for management services, a portion of which includes marketing department activities associated with the promotion of Mighty products and services.

Franchisees are restricted from using the word Mighty in their URL address. We must pre-approve the franchisee's website and its content. We provide a technology platform for hosting franchise web presence in order to provide consistency across our franchise community.

Under certain conditions (Section 4.2.2 of the Franchise Agreement), we (or our designee) may succeed FRANAD in administering the Fund. In that event, we furnish audited annual financial statements to you, at your request. We may accumulate monies in the Fund for such periods of time as we deem necessary or appropriate, and we are not required to spend from the Fund all monies received in any fiscal year during that same year. If our expenditures for advertising exceed the total amount contributed to the Fund by all franchisees during a fiscal year, we have the right to reimbursement from the Fund. We may also use excess contributions to the Fund as a credit against our future contributions.

### **Computer Systems**

Computerized information systems are essential tools for accurately and efficiently managing your Franchised Business. You must purchase or lease, and maintain an approved computer system (hardware and software) to support key business functions including Point of Sale, Inventory, and A/R Management. The computer system you choose may vary in size and cost depending on the requirements of the Franchised Business, your current technology resources, and your personal discretion. Through a strategic business alliance with MAM Software, Inc., we offer the multi-user, Microsoft Windows based system known as "Autopart." We also offer software for a hand-held device known as the Mighty Parts Acquisition Computer Terminal (M-PACT) that works in conjunction with the Autopart System to provide remote point of sale and inventory management functions. The Franchise Agreement specifies that the data contained in your system is jointly owned by you and Mighty and that we may have direct access to all franchise data on a real time basis. You may be required to provide us with sales and other accounting information in an electronic format as specified by us in the Operations Manual. From time to time, we may investigate alternatives and modify our current technology.

We recommend several items which we believe will benefit your Franchised Business. One is the Autopart software available from MAM Software, Inc. (Two Valley Square, 512 Township Line Rd., Suite 220, Blue Bell, PA 19422). The system can be run on your local network environment or alternatively as a hosted solution. If you do not possess adequate, pre-existing computer hardware infrastructure, and need assistance purchasing hardware and Microsoft software as a platform for the Autopart system, we will provide specifications for an adequate operating environment and recommendations of hardware and Microsoft software providers should you choose to run the software on your own system. Typical basic hardware would include a server, two workstation PCs, a laser printer and networking equipment. The Autopart software provides point of sale, invoicing, inventory control, accounts receivable and profit margin management. The initial cost for a hosted cloud base system plus two workstation licenses, training and installation, ranges from \$3,500 to \$6,500.

If you purchase an existing franchise, the current operation may be using a legacy computer system such as the Pacesetter software provided by Blue Sage. In such cases, we may recommend that you initially continue the operation on Pacesetter before converting to Autopart software.

Along with the Autopart or Pacesetter system, we recommend the use of hand-held computer devices and the M-PACT software that facilitates salespersons order-taking at each customer location. Using software owned by us and licensed to you, these orders can then be downloaded to your Autopart or Pacesetter system from the hand-held M-PACT unit, allowing you to save time and avoid errors from re-keying. Orders can even be transmitted by you or your sales staff throughout the day from the field so that they can be processed immediately. As configured with our software, the M-PACT unit we recommend interfaces utilizing a networked PC, with the Autopart or Pacesetter customized software. The software license may be purchased directly from us at the cost of \$300 for the initial software license. The cost for each additional software license is \$200. You must also purchase a mandatory software maintenance program for each M-PACT license, which includes telephone support and all software upgrades, at an annual rate of \$240 (\$20 per month).



We also recommend that our franchisees use “Quickbooks” as their accounting and financial management software. This program generates financial statements (e.g., income statement and balance sheet) from accounting entries sourced by Autopart and Pacesetter system reports, and/or other transaction systems. This software is widely available from computer stores and other vendors.

Before or upon opening your franchise, you will be provided with login credentials to our secure web portal at <http://www.mightyautoparts.com>. You will be expected to maintain the confidentiality of the information provided on the Mighty portal as well as your login credentials. Logging in to our portal will provide access to a substantial amount of information necessary for the effective management of your business. Significant news, information, reports, reporting forms, applications and other resources may be provided to you exclusively through this format, thereby requiring you to maintain regular, timely access to the site. To access the service, you will need internet access. Internet access must be obtained through your local ISP at your own additional cost, in order to access the Mighty portal and associated applications. Your cost for Internet access will vary depending on which ISP you choose, the bandwidth required, and various other options.

You may be required to upgrade hardware or software during the term of the Franchise Agreement. Periodic upgrades are highly recommended.

### **Site Selection and Time Frame for Opening**

You are not required to obtain our approval for the location of the office and warehouse for your Franchised Business, except that the site must be located within the Franchise Territory unless we approve otherwise in writing. We do not own or lease premises to franchisees. Item 12 of this disclosure document provides further information about location and configuration of the Franchise Territory.

We estimate that the typical length of time between signing the Franchise Agreement and beginning operation of your Franchised Business is 30 to 60 days. Factors which may affect this time period include the ability to: obtain a lease; procure and install computers and other office equipment; order, receive, and organize the initial inventory; purchase or lease vehicles; obtain any required zoning and building permits; and finalize incorporation of your business, if applicable. You must begin operation no later than 90 days after we both sign the Franchise Agreement (Section 5.1 of the Franchise Agreement).

### **Training Programs**

Before beginning to operate the Franchised Business or within 90 days after both of us sign the Franchise Agreement, you (or if you are a corporation, your principal) and/or your Designated Manager (if you or your principal will not manage the Franchised Business), must attend and complete to our satisfaction our initial training program for franchisees known as Franchise Operations Training (FOT). We have the right to extend the 90 days at our discretion. Personnel who have met our training requirements must manage the Franchised Business at all times. At our option, other of your employees (such as salespersons and office managers) must also attend and complete all or any part of the initial training program to our satisfaction (Section 6.1 of the Franchise Agreement). You and any of your managerial and sales personnel as we may specify must also attend such periodic sales training courses and sales meetings as we may reasonably require; however, you do not have to attend more than one national and one regional meeting in any calendar year (Section 6.2 of the Franchise Agreement).

All training programs will be at such times and places as we may designate. For all required initial and additional training courses, seminars, and programs, we will provide, at no charge to you, instructors and training materials; you or your employees will be responsible for any and all other expenses incurred as part of such training, including transportation, lodging, meals, and wages (Section 6.2.3 of the Franchise Agreement). You may be required to pay a fee to us, or to trainers designated by us, for training courses, seminars and programs provided after the initial training programs.

The initial training program, which focuses on franchise operational matters, consists of 3-4 days of classroom training at our facilities in the Atlanta area and 5-10 days of sales and operations field training in your Franchise Territory. You and/or your salesperson should then attend our next scheduled training program for new salespersons, which provides in-depth training in sales techniques, account development, and customer service. Training is supervised by Carmen Strickland and Chris Adams, both of whose relevant employment histories are described in Item 2. The minimum experience of the instructors in the field that is relevant to the subject taught and our operations is from 1 to 28 years. Instructional materials include the Operations Manual, presentation materials, videos, and handouts.

An outline of our typical initial training program is shown in the following table. Actual hours and program content may vary depending on our assessment of the particular needs of each franchisee.

#### TRAINING PROGRAM

| Subject                                                                                                                                                                                              | Hours of Classroom Training | Hours of On the Job Training | Location                                        |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|-------------------------------------------------|
| <u>Territory Management, Field Operations</u> - including goal setting, market analysis and prospecting, changeover strategies and account set-up, local promotions, scheduling and route management | 8                           | 8                            | Peachtree Corners, GA, and Franchisee Location  |
| <u>Mighty Product Line</u> - including major product categories, Buying Guide review, pricing and competition, product guidelines and ratios                                                         | 8                           | 4                            | Peachtree Corners, GA, and Franchisee Location  |
| <u>Warehouse Operations</u> - including warehouse organization, purchasing and receiving                                                                                                             | 3                           | 4                            | Peachtree Corners, GA, and Franchisee Location  |
| <u>Marketing</u> - including our annual marketing plan, FRANAD, promotions, direct mail                                                                                                              | 4                           | 4                            | Peachtree Corners, GA, and Franchisee Location  |
| <u>Operations Manual</u> - including policies and procedures under the Mighty System, key compliance issues                                                                                          | 2                           | 0                            | Peachtree Corners, GA                           |
| <u>Administration</u> - including central billing program, line of credit, statement of account, monthly reporting, general accounting, collections, national account programs                       | 4                           | 1                            | Peachtree Corners,, GA, and Franchisee Location |
| <u>On-Site Training</u> - visit to local franchise and/or company-operated location                                                                                                                  | 0                           | 40                           | Franchisee Location                             |
| <u>Computer Training</u> - including general and procedural training.                                                                                                                                | 0                           | 24                           | Franchisee Location                             |

Our national and regional sales and business meetings also offer valuable training opportunities for you and your employees. They address such areas as new product programs, sales techniques, sharing of best practices, and presentation of awards, and allow you to interact with and learn from your fellow franchisees and our corporate staff. A national business meeting is held periodically as are national and regional sales meetings.

We also offer special in-depth sales and product training courses throughout the year both at our home office and at field locations. Recent examples of such programs are our Undercar and Underhood Marketing Clinics, Dealership "Boot Camps" Sales School, VS7 Chemical Program Training and Car Wash and Detail Product Training. In most instances, we bear the cost of instruction, facilities, and workshop materials. You are responsible for travel, lodging, food and other expenses for you and your employees.

Although selecting, hiring and managing employees is your responsibility, the Operations Manual includes valuable information and techniques that may be useful to you in making these important decisions.

## Item 12 TERRITORY

We grant you the right to operate your Franchised Business solely for the sale of the Mighty Product Line to installer customers within your designated Franchise Territory. We also grant you the nonexclusive right to use and distribute copies of any copyrighted or other protected materials, including advertising, sales promotion, and marketing materials to establish and support the Franchise, which we may make available to franchisees for use with the Mighty System. Franchise territories are usually defined by county lines, interstate highways street addresses or other physical boundaries. A territory usually encompasses an area with at least 500,000 registered cars and light trucks, except in low-density population areas. We work with you to determine the size, practicality, and location of your Franchise Territory. A description of your Franchise Territory will be contained in Exhibit C to the Franchise Agreement. You must locate your warehouse and office within the Franchise Territory unless we approve another location in writing in advance.

During the term of the Franchise Agreement, we will not establish or operate, nor license any other person to establish or operate, an automotive parts and distribution business under the Mighty System at any location within your Franchise Territory. You cannot use the Licensed Marks or advertise or solicit orders within any area other than your Franchise Territory. As described in Item 1 of this Disclosure Document, we may grant franchises to companies already in the automotive service business, for the purpose of allowing them to provide Mighty products to their own automotive service locations. In those cases, they cannot sell Mighty products to anyone other than one of their own stores, and do not get any exclusive territorial rights. These operators are typically not already a Mighty customer, and if they are located within the territory of an existing franchisee, we would enter into this arrangement with them only with the permission of the existing franchisee. If you operate an automotive service business with multiple outlets which are affiliated entities, you may supply the Mighty Product Line to your outlets whether they are located inside or outside your Franchise Territory subject to our prior approval, as described in the Operations Manual. Other Mighty franchisees that operate an automotive service business with multiple outlets may supply the Mighty Product Line to their affiliated entities located within your Franchise Territory subject to our prior approval. The Franchise Agreement permits us to (a) establish and operate, and license others to establish and operate, an automotive parts and distribution business under the Mighty System at any location outside the Franchise Territory; and (b) service or arrange for the service of customers of National or Regional Account Contracts (as defined in the Franchise Agreement) within the Franchise Territory, if you decline or are unable to service such an account in accordance with the applicable contract and the procedures in the Operations Manual or otherwise in writing.

The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises within any other areas or to expand the Franchised Business into adjacent areas. However, if both of us agree in writing, the Franchise Territory may be modified in size or configuration during the term of the Franchise Agreement.

Neither MDSA, its predecessors, nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned automotive parts and distribution businesses which provide similar

products or services under a different trade name or trademark, but the Franchise Agreement allows us the right to do so.

We, nor our affiliates, will sell products under the Licensed Marks within your Franchise Territory through a physical location situated in your Franchise Territory nor such channels of distribution as the internet, catalog sales, telemarketing, or other direct marketing sales methods ("alternative channels of distribution"). You may not use any such alternative channels of distribution to make sales outside of your Franchise Territory.

We do not solicit or accept orders inside the franchisee's territory and therefore do not pay any compensation.

We and our affiliates can use alternative channels of distribution to make sales within your Franchise Territory of products or services under trademarks different from the Licensed Marks, but we and our affiliates have not yet made any sales of this type.

You must achieve certain minimum sales volumes (referred to as Minimum Performance Standards) during the term of the Franchise Agreement. The requirement is established each year and it is based on the overall Market Penetration throughout the franchise System.

Franchise Market Penetration is determined by dividing a franchisee's sales, during a given year, by the number of registered vehicles within the franchisee's licensed territory during the same period. The result expresses the franchisee's "sales per registered vehicle", otherwise referred to as Market Penetration. Mighty measures the Market Penetration of all franchisees each year, and the Minimum Performance Standard required of each franchisee is equal to 90% of that.

In 2020, the Mighty franchise system Market Penetration was \$0.81. Therefore, the Minimum Performance Standard for 2020 was \$0.73 ( $\$0.81 \times 90\%$ ). So, for example, a franchisee with a territory containing 500,000 registered vehicles would need to achieve sales of \$365,000 ( $\$0.73 \times 500,000$ ) to meet their Minimum Performance Standard.

The Minimum Performance Standard for 2021 will not be calculated until the end of January 2021, after the completion of the 2021 calendar year.

If you acquire a new franchise territory or an existing territory that is not meeting its Minimum Performance Standard, you will be granted a phase-in period to achieve 100% of your Minimum Performance Standard. If you fail to meet your Minimum Performance Standard for any three years of the initial term of the Franchise Agreement, you must either a) pay a penalty fee; or b) reduce the size of your Franchise Territory. You must elect one of these options within sixty days of our notification of your failure to meet the Minimum Performance Standards, or your Franchise Agreement may be terminated. (Sections 7.4, 16.2.14 and Exhibit E of the Franchise Agreement)

## Item 13 TRADEMARKS

You will be licensed by the Franchise Agreement to use the Licensed Marks. The Licensed Marks are owned by a company that is affiliated with our Parent. We entered into a License Agreement effective December 23, 2009, with this affiliated company, giving us exclusive rights to use the licensed marks in connection with our company owned operations and franchise operations. This License Agreement has a term of 10 years and was extended through December 23, 2029. It can be terminated if we breach the terms of the License Agreement, or cease operating. The licensed marks, all of which are registered on the Principal Register of the United States Patent and Trademark Office, are as follows:

"MIGHTY®" (in stylized form for Spark Plugs, Ignition Apparatus, Ignition Wire, Alternators, Starters, Oil Filters, Air Filters, Disc Brake Pads, Hose Clamps and Windshield Wiper Blades) - Registration No. 1,572,864; Registration Date: December 26, 1989; United States Patent and Trademark Office, Principal Register.

ENGINE GUARD® (Oil Filters) - Registration No. 1,648,077; Registration Date: June 18, 1991; United States Patent and Trademark Office, Principal Register.

MIGHTY SYSTEM XL® (Automotive Brake Systems) - Registration No. 2,313,925; Registration Date: February 1, 2000; United States Patent and Trademark Office, Principal Register.

MIGHTY PROFITWATCH® (Automotive parts Inventory Management System) - Registration No. 2,365,041; Registration Date: July 4, 2000; United States Patent and Trademark Office, Principal Register.

CALL IN THE GUARD® (Oil and Air Filters) - Registration No. 2,490,343; Registration Date: September 18, 2001; United States Patent and Trademark Office, Principal Register.

MIGHTY AUTO PARTS® (stylized lettering form for Chemical additive for engine oils, gasoline and diesel fuels, transmission fluids and cooling systems; spark plugs, ignition apparatus, ignition wire, alternators, oil filters, air filters, disc brake pads, brakes, brake lining, starters, windshield wiper blades) - Registration Nos. 2,823,994 & 2,863,282; Registration Dates: March 16, 2004 and July 13, 2004. United States Patent and Trademark Office, Principal Register.

VS7® (stylized form and Design for automotive cleaning preparations namely, battery cleaner and acid detector, air intake cleaner, battery protection, and corrosion inhibitor spray, brake cleaner, engine degreaser, and glass cleaner; Also automotive lubricants, namely penetrating oil, hood and door lubricant, and silicone spray lubricant) - Registration No. 2,995,567; Registration Date: September 13, 2005. United States Patent and Trademark Office, Principal Register.

SILENTRAC® (automotive parts namely, serpentine belts for vehicle engines) - Registration No. 3,101,316; Registration Date: June 6, 2006. United States Patent and Trademark Office, Principal Register.

NET NOISE ELIMINATION TECHNOLOGY® (automobile brakes and replacement parts, brake pads) - Registration No. 3,130,380; Registration Date: August 15, 2006. United States Patent and Trademark Office, Principal Register.

MIGHTY® (house mark for full line of automotive parts) - Registration No. 3,212,026; Registration Date: February 27, 2007. United States Patent and Trademark Office, Principal Register.

MIGHTY SURE® (service for Nationwide Repair Warranty Program) - Registration No. 3,269,793; Registration Date: July 24, 2007. United States Patent and Trademark Office, Principal Register.

MIGHTY TECSELECT® (stylized form for disc brake pads) - Registration No. 3,299,148; Registration Date: September 25, 2007. United States Patent and Trademark Office, Principal Register.

STORM GUARD® (wiper blades) - Registration No. 3,375,593; Registration Date: January 29, 2008; United States Patent and Trademark Office, Principal Register.

SYNTRAMAX® (fuel system additive for cleaning deposits in fuel systems) - Registration No. 3,429,790; Registration Date: May 20, 2008. United States Patent and Trademark Office, Principal Register.

MICPLUS® (pre-recorded CD-ROMS featuring a catalog of automotive parts and accessories) - Registration No. 3,493,679; Registration Date: August 26, 2008. United States Patent and Trademark Office, Principal Register.

POWER 2® (automotive chemical cleaning preparations for the cleaning of gasoline and diesel combustion chambers, pistons, intake valves, and intake pistons and manifolds) - Registration No. 3,498,968; Registration Date: September 9, 2008. United States Patent and Trademark Office, Principal Register.

MIGHTY® (a house mark for full line of automotive parts, mark consists of standard characters) Registration No. 3,519,325; Registration Date: October 21, 2008. United States Patent and Trademark Office, Principal Register.

MIGHTY TECSELECT® (windscreen wipers; windshield wiper blades) Registration No. 3,613,250; Registration Date: April 28, 2009. United States Patent and Trademark Office, Principal Register.

VPAK2® (Automotive Fuel System revitalizing chemicals consisting of fuel injection cleaner and a fuel system additive) Registration No. 3,903,921; Registration Date: January 11, 2011. United States Patent and Trademark Office, Principal Register.

ENGINE GUARD® (Motor Oils) Registration No. 4,172,259; Registration Date: July 10, 2012. United States Patent and Trademark Office, Principal Register.

ENGINE GUARD MAX SYNTHETIC® (oil filters) - Registration No. 4,749,459; Registration Date: June 2, 2015. United States Patent and Trademark Office, Principal Register.

POWERING YOUR PERFORMANCE® (use with wholesale distribution services in the field of automotive parts and accessories) - Registration No. 4,967,747; Registration Date: May 31, 2016. United States Patent and Trademark Office, Principal Register.

MIGHTY TECSELECT® (batteries for vehicles) - Registration No. 4,994,104; Registration Date: July 5, 2016. United States Patent and Trademark Office, Principal Register.

VS7® (Swoosh Design for brake fluid, transmission fluid, automotive cleaning and decreasing preparation for use with brake, oil and fuel systems and automotive lubricants namely brake system lubricants) – Registration No. 5,004,924; Registration Date: July 19, 2016. United States Patent and Trademark Office, Principal Register.

MIGHTY AUTO PARTS MAX® (oil filters) - Registration No. 6,074,215; Registration Date: June 9, 2020. United States Patent and Trademark Office, Principal Register.

MIGHTY AUTO PARTS VS7 ENGINE SHIELD® (chemical additives for oil) - Registration No. 6,080,185; Registration Date: June 16, 2020. United States Patent and Trademark Office, Principal Register.

MIGHTY AUTO PARTS TECSELECT® (oil filters) - Registration No. 6,080,191; Registration Date: June 16, 2020. United States Patent and Trademark Office, Principal Register.

ENGINE GUARD® (cabin filters) - Registration No. 6,152,137; Registration Date: September 15, 2020. United States Patent and Trademark Office, Principal Register.

ENGINE GUARD® (air filters for vehicle motors and engines; filters for cleaning cooling air, for engines; fuel filters for vehicle engines; Registration No. 6,167,834; Registration Date: October 6, 2020. United States Patent and Trademark Office, Principal Register.

We intend to renew these registrations whenever necessary and appropriate. All required affidavits have been filed concerning these registrations.

We grant you the right to use the above trade names and trademarks and the trade name "Mighty Distributing System" and "Mighty Auto Parts" with the distribution and sale of the Mighty Product Line. You may not use such trade names and trademarks in your own corporate or other legal name.

No Licensed Mark is registered in any state. We claim common law rights with all the above trademarks, service marks, trade names, logotypes and commercial symbols based on our exclusive use, protection and enforcement of such marks from the date of their first use.

You may not use any of the above trademarks or service marks with the sale of products other than the Mighty Product Line, unless we approve their use on products you may purchase from other suppliers (see Item 8 for information on this procedure). Use of the above trademarks and service marks is conditioned on your compliance with the appropriate provisions controlling the nature and quality of the goods with which such marks are used.

There are no currently effective determinations of the United States Patent & Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state or any court, or any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Licensed Marks which are relevant to their use in any state.

No agreements are currently in effect which limit our rights to use or license others to use the Licensed Marks.

The Franchise Agreement does not provide for any form of compensation or payment to you, if you lose your right to continue to use our trademarks.

You must promptly notify us of any suspected unauthorized use of the Licensed Marks, any challenge to the validity of the Licensed Marks, or any challenge to our ownership of and right to use and license others to use, or your right to use, the Licensed Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Licensed Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Licensed Marks. We defend you against any third-party claim, suit, or demand arising out of your authorized use of the Licensed Marks. If we, in our sole discretion, determine that you have used the Licensed Marks in accordance with the Franchise Agreement, we pay the cost of the defense, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Licensed Marks in accordance with the Franchise Agreement, you must pay the cost of the defense, including the cost of any judgment or settlement. If we defend or prosecute any litigation relating to your use of the Licensed Marks, you must execute any documents and take such actions as may, in our or our legal counsel's opinion, be reasonably necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action. Unless this litigation is the result of your use of the Licensed Marks in an inconsistent manner with the terms of the Franchise Agreement, we reimburse you for your out-of-pocket costs in taking such actions.

The Franchise Agreement also requires you to operate and advertise only under the name or names we designate from time to time for use by similar Mighty System franchisees; to adopt and use the Licensed Marks solely in the manner we prescribe; not to use the Licensed Marks to perform any activity or to incur any obligation or indebtedness in a manner that may subject us to liability, in any way; to observe all laws regarding the registration of trade names and assumed or fictitious names, and to include in any such application a statement that your use of the Licensed Marks is limited by the terms of the Franchise Agreement, and to provide us with a copy of any such application and other registration documents; to observe the requirements for trademark and service mark registrations and copyright notices that we may require, including affixing "SM", "TM", or "®" adjacent to all Licensed Marks in any and all uses of the Licensed Marks; and to use other appropriate notice of ownership and registration as we may require.

We reserve the right, in our sole discretion, to develop at our expense and to designate one or more new, modified or replacement Licensed Marks for use by franchisees and to require your use of any such new, modified or replacement Licensed Marks, in addition to or in lieu of any previously designated Licensed Marks. You will not be entitled to any compensation as a result of the discontinuation of any of the Licensed Marks. Any expenses or costs associated with your use of any such new, modified or replacement Licensed Marks will be your sole responsibility. We will not replace the Licensed Mark "MIGHTY" except: (i) in response to threatened or pending trademark or service mark litigation; or (ii) if in our good faith business judgment, circumstances require the Licensed Mark "MIGHTY" to be changed, and in no event will we require that the trade name "MIGHTY" be replaced by the name of another business then specializing in the sale and distribution at the wholesale level of automotive equipment, parts and supplies.

We have no actual knowledge of either superior prior rights or infringing uses which could materially affect your use of the Licensed Marks in any state.

## Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

### Patents and Copyrights

We do not hold any patents material to the franchise nor do we have any patents pending.

You will be granted a nonexclusive license to use copyrighted materials which we may make available to franchisees. The copyrights are owned by a company that is affiliated with our Parent. We entered into a License Agreement effective December 23, 2009, with this affiliated company, giving us exclusive rights to use the copyrights to help our franchisees in conducting their franchised businesses. This License Agreement has a term of 10 years and was extended through December 23, 2029. Many of these copyrighted materials have been registered with the United States Copyright Office. We intend to renew copyright registrations whenever necessary and appropriate.

The same company, affiliated with our Parent, owns the following copyrights which are material to the Franchised Business:

MICPlus Interactive Catalog; Registration No.TXu1-701-549; Registration Date: November 14, 2007

Vehicle Inspection Playbook; Registration No.TX6-772-333; Registration Date: September 14, 2010

This same company also owns a series of copyrights obtained many years ago, which are no longer part of the Mighty System. We have the right to use those copyrights, but have not used them for many years and do not anticipate using them again.

There are no currently effective determinations of the Copyright Office or any court regarding our copyrights. Our right to use or license these copyrighted materials is not materially limited by any agreement or known infringing use. The duration for each of our copyrights is 75-100 years.

You must notify us promptly of any suspected infringement or unauthorized use or challenge to our use of copyrighted materials. Although we are not obligated by the Franchise Agreement, we intend to take the actions we deem appropriate to protect your rights to use these copyrighted materials against claims of infringement or unfair competition. If we request, you must cooperate with us to protect our copyrighted materials including filing any lawsuits we deem necessary, with the costs of any such actions paid by us.

You must observe the requirements regarding copyright notices that we may require and use such other appropriate notice of ownership, registration and copyright as we may require.



## **Confidential Operations Manual**

You must operate the Franchised Business in compliance with the standards, methods, policies, and procedures specified in the Operations Manual. The Operations Manual contains policies, procedures, and guidelines for properly operating your Franchised Business. Compliance by all franchisees is important to achieve uniformity throughout the Mighty System and to protect the value of each individual franchised business. You receive access to the Operations Manual throughout the term of the Franchise Agreement upon being granted access to Franchisee portal of mightyautoparts.com. A copy of the table of contents of the Operations Manual is attached as Exhibit F to this disclosure document.

You must treat the Operations Manual, any other manuals created for or approved for use in the operation of the Franchised Business such as the Buying Guide and the information they contain, as confidential, and you must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record, or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Operations Manual remains our sole property.

We may occasionally revise the contents of the Operations Manual, and you must comply with each new or changed standard. If there is any dispute as to the contents of the Operations Manual, the terms of the master copy which we maintain at our home office will control.

## **Confidential Information**

In connection with your investigation of this franchise, we may make available to you certain confidential information such as our Operations Manual. In the event of this disclosure, you must sign a Confidentiality Agreement with us. A copy of this Confidentiality Agreement is attached as Exhibit H to this disclosure document.

During or after the term of the Franchise Agreement, you must not communicate, or use for the benefit of any other person, partnership, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you or of which you may be apprised during your operation under the terms of the Franchise Agreement (including information, knowledge, or know-how concerning the automotive parts and distribution business). You may divulge this confidential information only to your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will be confidential for purposes of the Franchise Agreement.

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

During the term of the Franchise Agreement, unless we approve otherwise in writing, you (or if you are a corporation, a principal of the corporation) or a Designated Manager must devote full time and best efforts to managing and operating the Franchised Business, and to actively promoting the sale of the Mighty Product Line and developing and expanding the market for the Mighty Product Line within the Franchise Territory. The Franchised Business must at all times be under the direct, on-premises supervision of a manager (you or a person designated by you) who has satisfactorily completed our training program. The limitations we impose as to whom you may hire as a Designated Manager include the following: prior approval by us, satisfactory completion of our training program, compliance with all applicable laws, and upholding the goodwill associated with the Mighty System and the Licensed Marks. The Designated Manager will not be required to have an equity interest in the Franchised Business.

We require the owners to sign a guaranty and that guaranty (attachment to the Franchise Agreement) obligates the guarantor to be bound by the non-competition and similar covenants contained in Section 18 of the Franchise Agreement.

Within 90 days of the date on which we both sign the Franchise Agreement, we must certify you or your Designated Manager as meeting our qualifications for management, based on completion of our initial training

programs. We have the right to extend the 90 days at our discretion. Thereafter, you or your Designated Manager must satisfactorily complete such additional training, retraining or refresher training programs as we may require, at such times and places as we designate. Our training program is described in Item 11 of the disclosure document.

You must sign our current Purchasing and Security Agreement (Exhibit F to the Franchise Agreement) when you sign the Franchise Agreement.

## Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your Franchised Business may offer and sell only goods and services approved by us, and you must offer all the goods and services which we require for all franchisees. We may change these requirements; however, you must stock and sell the products in the "major product categories," as defined in the Franchise Agreement and the Operations Manual. Your product inventory levels and breadth of product line coverage must be adequately maintained to provide prompt and efficient service to your installer customers (see Item 8).

You may solicit any and all Customers within your Franchise Territory.

You may not own, operate, or manage any automotive business specializing in the wholesale and distribution of automotive parts and supplies comparable to the Mighty Product Line, other than as a franchisee of the Mighty System, unless approved by us in writing. However, you may own equity securities of any such automotive business, whose shares are traded on a stock exchange or on the over-the-counter market, while your ownership interest represents 2% or less of the total number of outstanding shares of the business.

You may use a website of yours in connection with Franchised Business ("established website") with our advance written approval. You may not publish any pricing information on the established website. You must not display, offer, or feature products that are not part of the Mighty Product Line on the established website. You must disclose on the established website that you are restricted to selling only within the franchise territory. You must not use any of the Proprietary Marks or any of our copyrighted materials or information on your established website except in compliance with the Operations Manual.

You must comply with all Mighty System rules, regulations, policies, standards, and specifications which are mandatory, including those contained in the Operations Manual. You must operate and maintain the Franchised Business solely according to the standards in the Franchise Agreement, in the Operations Manual or in other written materials we provide you (see Item 9).

You must conduct the Franchised Business in accordance with our professional and ethical image, which is an integral part of the Mighty System, including the requirement that the personal appearance of you and your employees meets the standards outlined in the Operations Manual.

You must operate the Franchised Business in conformity with the methods and standards that we may prescribe in the Operations Manual to insure that our quality, service and image is maintained. You may not vary from those standards or otherwise operate in any manner which adversely reflects on our name and goodwill, or on our Licensed Marks.

You may use only business stationery, business cards, marketing materials, advertising materials, printed materials or forms which have been approved in advance by us. Any and all equipment, supplies or materials which you purchase, lease or license must always meet the standards we specify in the Operations Manual or otherwise in writing.

In all advertising displays and materials you must notify the public, in the manner specified in the Operations Manual, that you are operating the Franchised Business as a Mighty Franchisee, and you must identify your business location in the manner specified in the Operations Manual.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

| <b><u>Provision</u></b>                                | <b><u>Section in Franchise or other Agreement</u></b> | <b><u>Summary</u></b>                                                                                                                                                                                                             |
|--------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                        | Section 2                                             | 10 years                                                                                                                                                                                                                          |
| b. Renewal or extension of the term                    | Section 2                                             | 5 years; 1 year extensions may be granted due to failure to meet all renewal requirements                                                                                                                                         |
| c. Requirements for franchisee to renew or extend      | Section 2                                             | Written notice, compliance with Franchise Agreement, sign new Franchise Agreement, pay renewal fee. You may be asked to sign a contract with materially different terms and conditions than your original contract                |
| d. Termination by franchisee                           | Section 16.4                                          | 90 days prior written notice, or otherwise with our consent                                                                                                                                                                       |
| e. Termination by franchisor without cause             | None                                                  |                                                                                                                                                                                                                                   |
| f. Termination by franchisor with cause                | Section 16                                            | Breach of Franchise Agreement                                                                                                                                                                                                     |
| g. "Cause" defined - curable defaults                  | Section 16                                            | Curable defaults include non-payment of fees and other defaults, as listed in Section 16                                                                                                                                          |
| h. "Cause" defined - non-curable defaults              | Section 16                                            | Noncurable defaults include insolvency or bankruptcy, abandonment or ceasing to operate the Franchised Business, under reporting sales and other defaults, as listed in Section 16                                                |
| i. Franchisee's obligations on termination/ nonrenewal | Section 17                                            | Your obligations include de-identification, payment of amounts due, and return of all confidential materials                                                                                                                      |
| j. Assignment of contract by franchisor                | Section 15.1                                          | No restriction on our right to assign                                                                                                                                                                                             |
| k. "Transfer" by franchisee - defined                  | Section 15.2                                          | Includes transfer of all or part of your interest in the Franchise Agreement or the Franchised Business, or any change in controlling ownership structure                                                                         |
| l. Franchisor approval of transfer by franchisee       | Section 15.2-15.10                                    | We have the right to approve all transfers but will not unreasonably withhold approval                                                                                                                                            |
| m. Conditions for franchisor approval of transfer      | Section 15.2-15.10                                    | Includes payment of amounts due, compliance with Franchise Agreement, reasonable sale terms, your execution of release, transferee qualification and payment of transfer fee, and transferee execution of new Franchise Agreement |

| <u>Provision</u>                                                          | <u>Section in Franchise or other Agreement</u> | <u>Summary</u>                                                                                                                                                                                |
|---------------------------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| n. Franchisor's Right of First Refusal to acquire franchisee's business   | Section 15.8                                   | We can match any offer                                                                                                                                                                        |
| o. Franchisor's option to purchase franchisee's business                  | Section 17                                     | Upon expiration or termination, we can buy certain assets, but are not obligated to do so                                                                                                     |
| p. Death or disability of franchisee                                      | Section 7.17 and Section 15.7                  | Franchise must be assigned to an approved successor within 6 months; we may manage the Franchised Business in the interim                                                                     |
| q. Non-competition covenants during the term of the franchise             | Section 18                                     | Includes prohibition on owning or operating any similar automotive business                                                                                                                   |
| r. Non-competition covenants after the franchise is terminated or expires | Section 18.3; Section 18.4                     | Premature termination includes 2-year prohibition on owning or operating any similar automotive business. No non-competition provision following the expiration of a Franchise Agreement      |
| s. Modification of the agreement                                          | Section 25                                     | Must be in writing signed by all parties                                                                                                                                                      |
| t. Integration/merger clause                                              | Section 28                                     | Only the terms of the Franchise Agreement are binding (subject to state law); Any representations or promises outside the disclosure document and franchise agreement may not be enforceable. |
| u. Dispute resolution by mediation or arbitration                         | Section 27                                     | Except for certain claims, all disputes must be mediated or arbitrated in Atlanta, Georgia                                                                                                    |
| v. Choice of forum                                                        | Section 27                                     | Georgia; Please see, however, any requirements of local law in State Addenda to this Disclosure Document                                                                                      |
| w. Choice of law                                                          | Section 27                                     | Georgia law applies; Please see, however, any requirement of local law in State Addenda to this Disclosure Document                                                                           |

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN AN ADDENDUM.

Item 18  
PUBLIC FIGURES

We do not use any public figures to promote our franchises.

## 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.

#### 2020 Sales Volume Analysis

The following 2020 Sales Analysis is based upon sales volume reports submitted by Mighty franchises that operated throughout the entire calendar year of 2020. The total sales figures were derived from unaudited sales volume reports submitted by franchisees for the purpose of calculating payments of continuing fees. A total of 89 franchisees were in operation throughout the entire calendar year (1 of these franchisees sell Mighty products only to their own existing affiliated entities within a given territory and they are excluded from 2020 Sales Volume Analysis) and four (4) new franchisees entered the system. At year-end 2020, 93 franchise territories were licensed.

#### 2020 Customer Analysis

The following 2020 Customer Analysis is based on sales data provided by Mighty franchisees that operated during the 2020 calendar year. 88 Mighty franchisees provided this information through the 2020 calendar year.

#### 2019 Operating Statistics

The following report titled 2019 Operating Statistics is based on Profit & Loss Statements from 70 Mighty franchisees and Balance Sheets from 56 Mighty franchisees for the twelve (12) month period beginning January 2019 and ending December 2019, regardless of their fiscal year ends. These 70 of 91 Mighty franchisees that operated for the entire calendar year of 2019 provided timely financial statement information in a form suitable for use in this report.

The following operating statistics are unaudited and therefore no assurance can be offered that the data does not contain inaccuracies.

Operating results can vary substantially among reporting franchisees due to many factors including individual franchisee business discretion, local economic factors, geographic dispersion of customers, density of vehicles, competitive influences, and the number of automotive service outlets in any particular franchised territory.

The success of Mighty franchises is substantially reliant upon a variety of factors including sales performance, capital structure, market conditions, competitive environment, and individual managerial expertise. Our internal studies suggest that new franchisees operating in previously undeveloped territories should allocate working capital sufficient to cover all operating costs for the period prior to consistently achieving operational "break even" in your franchise.

All of the franchises represented in the following reports are substantially similar to the franchise we offer to you. However, there are variations in territory sizes. Since all franchisees must offer the products and services currently required by us, and only the products that we approve as meeting our uniform quality standards and specifications, all reporting franchisees offered substantially the same products and services to their customers.

Written substantiation for the following financial performance representations will be made available to you upon reasonable request.

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

## **MIGHTY FRANCHISE SYSTEM**

### **2020 SALES VOLUME ANALYSIS\* (Based Upon Franchisees' Reported Sales)**

| <u>Sales per Franchise</u> |             | <u>Average Sales per Franchise</u> |             | <u>Median Sales per Franchise</u> |             |
|----------------------------|-------------|------------------------------------|-------------|-----------------------------------|-------------|
| Average^                   | \$1,401,032 | First Quartile                     | \$3,154,642 | First Quartile                    | \$2,876,980 |
| Median                     | \$1,049,302 | Fourth Quartile                    | \$316,185   | Fourth Quartile                   | \$301,740   |
| <u>Market Penetration</u>  |             | <u>Average Market Penetration</u>  |             | <u>Median Market Penetration</u>  |             |
| System All **^^            | \$ 0.81     | First Quartile**+                  | \$ 1.37     | First Quartile                    | \$1.08      |
| Median                     | \$ 0.77     | Fourth Quartile**+                 | \$ 0.49     | Fourth Quartile                   | \$0.34      |

\*\*Market Penetration represents sales made within the licensed territory divided by the number of registered vehicles in the licensed territory. It is an expression of the annual "sales per car" achieved by Mighty franchisees.

+Average Market Penetration was taken from Franchisees which have been in operation for the full year 2020.

^88 franchises were included and 45 obtained or surpassed the stated average

^^88 franchises were included and 42 obtained or surpassed the system all

### **2020 SALES VOLUME ANALYSIS\* (Based Upon Franchisees' Reported Sales)**

| <b>Sales Volume</b> | <b>Number of Franchisees</b> | <b>Franchisee Sales Average</b> | <b>Franchisee Sales Median</b> | <b>Percentage of Total Sales</b> |
|---------------------|------------------------------|---------------------------------|--------------------------------|----------------------------------|
| First Quartile      | 22                           | \$3,154,642                     | \$2,876,980                    | 56%                              |
| Second Quartile     | 22                           | \$1,271,440                     | \$1,228,004                    | 23%                              |
| Third Quartile      | 22                           | \$861,862                       | \$886,426                      | 15%                              |
| Fourth Quartile     | 22                           | \$316,185                       | \$301,740                      | 6%                               |
| All                 | 88                           | \$1,401,032                     | \$1,049,302                    | 100.0%                           |

\*Data excludes Company Owned Operations and franchisees that were not in the system for the entire twelve months of the year 2020.



## 2020 CUSTOMER ANALYSIS

Number of Franchisees Reporting - 88

| <u>Customer Type*</u> | <u>Percent of Sales</u> | <u>Percent of Customers</u> |
|-----------------------|-------------------------|-----------------------------|
| Quick Lubes           | 45.0%                   | 16.2%                       |
| General Repair Shops  | 25.2%                   | 45.6%                       |
| Undercar Specialists  | 12.2%                   | 12.4%                       |
| Dealerships           | 13.0%                   | 11.5%                       |
| Fleet Accounts        | 2.5%                    | 6.3%                        |
| Other                 | 2.1%                    | 8.0%                        |

\* Includes data for all customers that have been identified by Customer Type. This does not include data for customers whose Customer Type field has been left blank.

## MIGHTY FRANCHISE SYSTEM

### 2019 OPERATING STATISTICS

|                                               |    |
|-----------------------------------------------|----|
| Franchisees Reporting Income Statement Detail | 70 |
| Franchisees Reporting Balance Sheet Detail    | 56 |

### Key Operating Statistics

*All values represent percentage to net annual sales*

#### **System**

|               | <b>Median**</b> | <b>Average</b> |
|---------------|-----------------|----------------|
| GP Margin     | 38.1%           | 37.2%          |
| Employee Cost | 18.1%           | 17.7%          |
| Net Income^   | 2.5%            | 2.8%           |

|               | <b>First Quartile*</b> |                | <b>Second Quartile*</b> |                | <b>Third Quartile*</b> |                | <b>Fourth Quartile*</b> |                |
|---------------|------------------------|----------------|-------------------------|----------------|------------------------|----------------|-------------------------|----------------|
|               | <b>Median</b>          | <b>Average</b> | <b>Median</b>           | <b>Average</b> | <b>Median</b>          | <b>Average</b> | <b>Median</b>           | <b>Average</b> |
| GP Margin     | 44.3%                  | 44.1%          | 39.9%                   | 40.0%          | 36.6%                  | 36.5%          | 32.3%                   | 31.9%          |
| Employee Cost | 12.3%                  | 12.6%          | 16.2%                   | 16.2%          | 20.2%                  | 20.3%          | 25.4%                   | 26.1%          |
| Net Income^   | 8.2%                   | 8.5%           | 3.8%                    | 3.8%           | 1.3%                   | 1.5%           | -3.6%                   | -3.9%          |

**System**

|                          | <b>Median**</b> | <b>Average</b> |
|--------------------------|-----------------|----------------|
| Inventory Turns/Year *** | 4.7             | 5.1            |

|                      | <b>First Quartile*</b> |                | <b>Second Quartile*</b> |                | <b>Third Quartile*</b> |                | <b>Fourth Quartile*</b> |                |
|----------------------|------------------------|----------------|-------------------------|----------------|------------------------|----------------|-------------------------|----------------|
|                      | <b>Median</b>          | <b>Average</b> | <b>Median</b>           | <b>Average</b> | <b>Median</b>          | <b>Average</b> | <b>Median</b>           | <b>Average</b> |
| Inventory Turns/Year | 7.2                    | 7.9            | 5.3                     | 5.5            | 4.0                    | 4.1            | 3.1                     | 3.0            |

\*Quartile rankings represent performance within each individual category.

^Net Income percentage of sales is inclusive to all operating expenses including continuing fees (royalty and advertising)

\*\*Half of the 70 Franchisees were above and half were below the stated figures

\*\*\* Half of the 56 Franchisees were above and half were below the stated figures

***THESE SCHEDULES HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES SHOULD BE ADVISED THAT NO CERTIFIED ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.***

ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1  
Systemwide Outlet Summary  
For Years 2018 to 2020

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the<br>Year | Column 4<br>Outlets at the<br>End of the<br>Year | Column 5<br>Net Change |
|-------------------------|------------------|----------------------------------------------------|--------------------------------------------------|------------------------|
| Franchised              | 2018             | 98                                                 | 94                                               | -4                     |
|                         | 2019             | 94                                                 | 96                                               | +2                     |
|                         | 2020             | 96                                                 | 93                                               | -3                     |
| Company -<br>Owned      | 2018             | 4                                                  | 4                                                | 0                      |
|                         | 2019             | 4                                                  | 2                                                | -2                     |
|                         | 2020             | 2                                                  | 2                                                | 0                      |
| Total Outlets           | 2018             | 102                                                | 98                                               | -4                     |
|                         | 2019             | 98                                                 | 98                                               | 0                      |
|                         | 2020             | 98                                                 | 95                                               | -3                     |

Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2018 to 2020

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| Alabama           | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Alaska            | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Arizona           | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Arkansas          | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| California        | 2018             | 0                               |
|                   | 2019             | 1                               |
|                   | 2020             | 0                               |
| Colorado          | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Connecticut       | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |

| Column 1<br>State    | Column 2<br>Year | Column 3<br>Number of Transfers |
|----------------------|------------------|---------------------------------|
| Delaware             | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| District of Columbia | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Florida              | 2018             | 1                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Georgia              | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Hawaii               | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Idaho                | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Illinois             | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Indiana              | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Iowa                 | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Kansas               | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Kentucky             | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Louisiana            | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Maine                | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Maryland             | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Massachusetts        | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Michigan             | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |
| Minnesota            | 2018             | 0                               |
|                      | 2019             | 0                               |
|                      | 2020             | 0                               |

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| Mississippi       | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Missouri          | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Montana           | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Nebraska          | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Nevada            | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| New Hampshire     | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| New Jersey        | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| New Mexico        | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| New York          | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| North Carolina    | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| North Dakota      | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Ohio              | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Oklahoma          | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Oregon            | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Pennsylvania      | 2018             | 0                               |
|                   | 2019             | 1                               |
|                   | 2020             | 0                               |
| Rhode Island      | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| South Carolina    | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 2                               |

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| South Dakota      | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Tennessee         | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Texas             | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Utah              | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Vermont           | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Virginia          | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Washington        | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| West Virginia     | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Wisconsin         | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| Wyoming           | 2018             | 0                               |
|                   | 2019             | 0                               |
|                   | 2020             | 0                               |
| TOTAL             | 2018             | 6                               |
|                   | 2019             | 2                               |
|                   | 2020             | 2                               |

Table No. 3

Status of Franchised Outlets  
For Years 2018 to 2020

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at Start of Year | Column 4<br>Outlets Opened | Column 5<br>Terminations | Column 6<br>Non-Renewals | Column 7<br>Reacquired by Franchisor | Column 8<br>Ceased Operations<br>Other Reasons | Column 9<br>Outlets at End of the Year |
|-------------------|------------------|--------------------------------------|----------------------------|--------------------------|--------------------------|--------------------------------------|------------------------------------------------|----------------------------------------|
| Alabama           | 2018             | 2                                    | 0                          | 0                        | 0                        | 0                                    | 0                                              | 2                                      |
|                   | 2019             | 2                                    | 1                          | 0                        | 0                        | 0                                    | 0                                              | 3                                      |
|                   | 2020             | 3                                    | 0                          | 0                        | 0                        | 0                                    | 0                                              | 3                                      |

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets<br>at<br>Start of<br>Year | Column 4<br><br>Outlets<br>Opened | Column 5<br><br>Termina-<br>tions | Column 6<br><br>Non-<br>Renewals | Column 7<br><br>Reacquired<br>by<br>Franchisor | Column 8<br><br>Ceased<br>Operations<br><br>Other<br>Reasons | Column 9<br><br>Outlets<br>at End<br>of the<br>Year |
|-----------------------|----------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|
| Alaska                | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
| Arkansas              | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 1                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
| Arizona               | 2018                 | 2                                                 | 0                                 | 0                                 | 1                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| California            | 2018                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2019                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2020                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
| Colorado              | 2018                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
|                       | 2019                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
|                       | 2020                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
| Connecticut           | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Delaware              | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
| Dist. of<br>Columbia  | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
| Florida               | 2018                 | 5                                                 | 0                                 | 0                                 | 1                                | 0                                              | 0                                                            | 4                                                   |
|                       | 2019                 | 4                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
|                       | 2020                 | 4                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
| *Georgia              | 2018                 | 4                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
|                       | 2019                 | 4                                                 | 1                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2020                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
| Hawaii                | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 0                                                   |
| Idaho                 | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Illinois              | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Indiana               | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 1                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
|                       | 2020                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
| Iowa                  | 2018                 | 3                                                 | 0                                 | 1                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
|                       | 2019                 | 2                                                 | 0                                 | 1                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |

| Column 1      | Column 2 | Column 3                 | Column 4       | Column 5     | Column 6     | Column 7                 | Column 8                           | Column 9                   |
|---------------|----------|--------------------------|----------------|--------------|--------------|--------------------------|------------------------------------|----------------------------|
| State         | Year     | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations<br>Other Reasons | Outlets at End of the Year |
| Kansas        | 2018     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |
|               | 2019     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |
|               | 2020     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |
| Kentucky      | 2018     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 0            | 1            | 0                        | 0                                  | 1                          |
| Louisiana     | 2018     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
| Maine         | 2018     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
| Maryland      | 2018     | 3                        | 0              | 0            | 0            | 0                        | 1                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
| Mass.         | 2018     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 1            | 0            | 0                        | 0                                  | 1                          |
| Michigan      | 2018     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
| Minnesota     | 2018     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2019     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
|               | 2020     | 2                        | 0              | 0            | 0            | 0                        | 0                                  | 2                          |
| Mississippi   | 2018     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
| Missouri      | 2018     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2019     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2020     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
| Montana       | 2018     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2020     | 0                        | 1              | 0            | 0            | 0                        | 0                                  | 1                          |
| Nebraska      | 2018     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2019     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
|               | 2020     | 0                        | 0              | 0            | 0            | 0                        | 0                                  | 0                          |
| Nevada        | 2018     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2019     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2020     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
| New Hampshire | 2018     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2019     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
|               | 2020     | 1                        | 0              | 0            | 0            | 0                        | 0                                  | 1                          |
| New Jersey    | 2018     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |
|               | 2019     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |
|               | 2020     | 3                        | 0              | 0            | 0            | 0                        | 0                                  | 3                          |



| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets<br>at<br>Start of<br>Year | Column 4<br><br>Outlets<br>Opened | Column 5<br><br>Termina-<br>tions | Column 6<br><br>Non-<br>Renewals | Column 7<br><br>Reacquired<br>by<br>Franchisor | Column 8<br><br>Ceased<br>Operations<br><br>Other<br>Reasons | Column 9<br><br>Outlets<br>at End<br>of the<br>Year |
|-----------------------|----------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|
| New Mexico            | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| New York              | 2018                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2019                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2020                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
| North Carolina        | 2018                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
|                       | 2019                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
|                       | 2020                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
| North Dakota          | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Ohio                  | 2018                 | 4                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
|                       | 2019                 | 4                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
|                       | 2020                 | 4                                                 | 0                                 | 1                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
| Oklahoma              | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Oregon                | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| Penn-<br>sylvania     | 2018                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2019                 | 5                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 5                                                   |
|                       | 2020                 | 5                                                 | 0                                 | 1                                 | 0                                | 0                                              | 0                                                            | 4                                                   |
| Rhode<br>Island       | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| South -<br>Carolina   | 2018                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
|                       | 2019                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
|                       | 2020                 | 3                                                 | 0                                 | 1                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
| South -<br>Dakota     | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 1                                                   |
| *Tennessee            | 2018                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 3                                                   |
|                       | 2019                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                              | 1                                                            | 2                                                   |
|                       | 2020                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 2                                                   |
| Texas                 | 2018                 | 10                                                | 0                                 | 0                                 | 1                                | 0                                              | 0                                                            | 9                                                   |
|                       | 2019                 | 9                                                 | 1                                 | 0                                 | 0                                | 0                                              | 0                                                            | 10                                                  |
|                       | 2020                 | 10                                                | 0                                 | 0                                 | 0                                | 0                                              | 0                                                            | 10                                                  |

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets<br>at<br>Start of<br>Year | Column 4<br><br>Outlets<br>Opened | Column 5<br><br>Termina-<br>tions | Column 6<br><br>Non-<br>Renewals | Column 7<br><br>Reacquired<br>by Fran-<br>chisor | Column 8<br><br>Ceased<br>Operations<br>Other<br>Reasons | Column 9<br><br>Outlets<br>at End<br>of the<br>Year |
|-----------------------|----------------------|---------------------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|--------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------|
| Utah                  | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
| Vermont               | 2018                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
|                       | 2019                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
|                       | 2020                 | 1                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 1                                                   |
| Virginia              | 2018                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
|                       | 2019                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
|                       | 2020                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
| Washington            | 2018                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
|                       | 2019                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
|                       | 2020                 | 3                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 3                                                   |
| West<br>Virginia      | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
| Wisconsin             | 2018                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 2                                                   |
|                       | 2019                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 2                                                   |
|                       | 2020                 | 2                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 2                                                   |
| Wyoming               | 2018                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
|                       | 2019                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
|                       | 2020                 | 0                                                 | 0                                 | 0                                 | 0                                | 0                                                | 0                                                        | 0                                                   |
| Total                 | 2018                 | 98                                                | 0                                 | 1                                 | 3                                | 0                                                | 0                                                        | 94                                                  |
|                       | 2019                 | 94                                                | 4                                 | 1                                 | 0                                | 0                                                | 1                                                        | 96                                                  |
|                       | 2020                 | 96                                                | 2                                 | 4                                 | 1                                | 0                                                | 0                                                        | 93                                                  |

\* In 2019 Franchisee Sprint Auto Parts relocated its office from Tennessee to Georgia, all within its existing franchise territory.

Table No. 4  
Status of Company-Owned Outlets  
For Years 2018 to 2020

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets<br>at Start<br>of Year | Column 4<br><br>Outlets<br>Opened | Column 5<br><br>Outlets<br>Reacquired<br>from<br>Franchisees | Column 6<br><br>Outlets<br>Closed | Column 7<br><br>Outlets Sold<br>to<br>Franchisees | Column 8<br><br>Outlets<br>at End of<br>the Year |
|-----------------------|----------------------|------------------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------------|--------------------------------------------------|
| Alabama               | 2018                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2019                 | 1                                              | 0                                 | 0                                                            | 0                                 | 1                                                 | 0                                                |
|                       | 2020                 | 0                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 0                                                |
| Florida               | 2018                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2019                 | 1                                              | 0                                 | 0                                                            | 1                                 | 0                                                 | 0                                                |
|                       | 2020                 | 0                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 0                                                |

| Column 1<br><br>State | Column 2<br><br>Year | Column 3<br><br>Outlets<br>at Start<br>of Year | Column 4<br><br>Outlets<br>Opened | Column 5<br><br>Outlets<br>Reacquired<br>from<br>Franchisees | Column 6<br><br>Outlets<br>Closed | Column 7<br><br>Outlets Sold<br>to<br>Franchisees | Column 8<br><br>Outlets<br>at End of<br>the Year |
|-----------------------|----------------------|------------------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------------|---------------------------------------------------|--------------------------------------------------|
| Georgia               | 2018                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2019                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2020                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
| Tennessee             | 2018                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2019                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
|                       | 2020                 | 1                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 1                                                |
| Total                 | 2018                 | 4                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 4                                                |
|                       | 2019                 | 4                                              | 0                                 | 0                                                            | 1                                 | 1                                                 | 2                                                |
|                       | 2020                 | 2                                              | 0                                 | 0                                                            | 0                                 | 0                                                 | 2                                                |

Table No. 5

Projected Openings as of December 31, 2020

| Column 1<br><br>State | Column 2<br><br>Franchise Agreement<br>Signed But Outlet Not<br>Opened | Column 3<br><br>Projected New<br>Franchised Outlets in<br>the Next Fiscal Year | Column 4<br><br>Projected New<br>Company-Owned<br>Outlets in the Next<br>Fiscal Year |
|-----------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Arkansas              | 0                                                                      | 1                                                                              | 0                                                                                    |
| California            | 0                                                                      | 1                                                                              | 0                                                                                    |
| New Jersey            | 0                                                                      | 2                                                                              | 0                                                                                    |
| Tennessee             | 0                                                                      | 1                                                                              | 0                                                                                    |
| Washington            | 0                                                                      | 1                                                                              | 0                                                                                    |
| Wisconsin             | 0                                                                      | 1                                                                              | 0                                                                                    |
| Total                 | 0                                                                      | 7                                                                              | 0                                                                                    |

Exhibit D list the names of all current franchisees and the addresses and telephone numbers of their outlets by state as of December 31, 2020.

Exhibit E list the name, city, and state, and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not signed any confidentiality clauses with any current or former franchisees.

The Mighty Franchisees Association, Inc. is an independent franchise organization associated with the franchise system: Treasurer, 518 Thomson Park Drive, Cranberry Township, PA 16066 (724) 778-9200.

Item 21  
FINANCIAL STATEMENTS

The financial statements of MDSA, LLC listed below are attached to this disclosure document as Exhibit C:

1. Audited balance sheet for MDSA, LLC as of December 31, 2020 and 2019, and related statements of operations, shareholders' equity and cash flows for the year then ended (Exhibit C-1); and
2. Audited balance sheet for MDSA, LLC as of December 31, 2019 and 2018, and related statements of operations, shareholders' equity and cash flows for the year then ended (Exhibit C-2).

Item 22  
CONTRACTS

Attached as Exhibit A is our standard form of Franchise Agreement, which includes as Exhibit F our Purchasing and Security Agreement and attached Guaranty of Franchisee's Undertaking. Attached as Exhibit B is FRANAD, INC.'s standard form of Membership Application. Attached as Exhibit H is our form of Confidentiality Agreement for prospective franchisees. Attached as Exhibit L is Small Business Administration (SBA) Addendum.

Item 23  
RECEIPT

Attached as Exhibit K are two copies of the Franchisee Disclosure Questionnaire for use by prospective franchisees in the state of Illinois. Please sign and return one copy of the questionnaire and retain the other copy for your records.

Attached as Exhibit M are two copies of the acknowledgment of your receipt of this Disclosure Document. Please sign and return one copy of the appropriate receipt and retain the other copy for your records.

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California law provides the following:

1. 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.)
2. California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.
3. 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.
4. The franchise agreement requires binding arbitration. The arbitration will occur in Atlanta, Georgia with the costs being borne 50% by Franchisor and 50% by Franchisee. 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 provision of a franchise agreement restricting venue to a forum outside the State of California.
5. The franchise agreement requires application of the laws of Georgia. This provision may not be enforceable under California law.
6. In accordance with CCR § 310.156.3(a)(3), the Franchisor's URL address is [www.mightyautoparts.com](http://www.mightyautoparts.com) and [www.mightyfranchise.com](http://www.mightyfranchise.com) and **"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](http://www.dbo.ca.gov).**
7. The Franchisor, any person or franchise broker in Item 2 of the UFDD 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 that association or exchange.
8. 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.
9. 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 solicitation of a proposed material modification of an existing franchise.
10. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professional Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professional Code §§20000 through 20043).

## **HAWAII ADDENDUM TO DISCLOSURE DOCUMENT**

This proposed registration is effective or will be shortly on file in all states which require such registration, including the states of California, Hawaii, Illinois, Indiana, Maryland, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin; franchisor is exempt from registration in Florida, Kentucky, Nebraska, and Utah.

No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

The Franchise Investment Law of the State of Hawaii makes it unlawful to offer or sell any franchise in this state without first providing to the prospective franchisee, or subfranchisor, at least seven days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least seven days prior to the payment of any consideration by the franchisee, or subfranchisor, whichever occurs first, a copy of the disclosure document, together with a copy of all proposed agreements relating to the sale of the franchise.

This disclosure document contains a summary only of certain material provisions of the Franchise Agreement. The contract or agreement should be referred to for a statement of all rights, conditions, restrictions and obligations of both the franchisor and the franchisee.

The following are the names, addresses and telephone numbers of all owners of franchises in the state of Hawaii: NONE

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

1. Illinois law governs the franchise agreements.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Franchisees rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

## INDIANA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 11, under the section entitled "Advertising and Promotion," is amended by inserting the following language after the first sentence in the ninth paragraph:

"Such bylaws establish the procedures for determining and adjusting the contribution rate and the annual contribution cap; provided, however, that no Franchisee shall be required to pay dues in an amount that exceeds one percent (1%) of such Franchisee's Gross Sales."

2. Item 17(p) is amended by inserting the following language:

"Indiana Code 23-2-2.7-2(3) provides that it shall be unlawful for any Franchisor to deny the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise. To the extent that Item 17(p) of this Disclosure Document is inconsistent with the terms of the Indiana Code, in Indiana the terms of the Indiana Code will control."



## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

1. Item 17(m) is amended by inserting the following language: "Provided, however, that the general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. (See also Addendum to Franchise Agreement for Maryland)."
2. Item 17(v) is amended by inserting the following: "A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law."
3. Item 17(h) is amended by inserting the following language: "The franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11U.S.C. Section 101 et seq.)".
4. Item 17 is amended to state: "Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise".

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

1. Item 17(m) is amended by inserting the following language: Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. (See also Rider A to the Franchise Agreement for Minnesota).
2. Item 17(v) is amended by inserting the following language: Pursuant to Minn. Stat. Sec 80C.21 and Minn. Rule Part 2860.4400J, the Franchise Agreement shall not in any way reduce any rights you may have under Minnesota Statutes, Chapter 80C. (See also Rider A to the Franchise Agreement for Minnesota).
3. The UFDD cover page and Item 17 (v) are amended by inserting the following: Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or franchise agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. (See also Rider A to the Franchise Agreement for Minnesota).
4. Item 17(f) is amended by inserting the following: For franchises governed by Minnesota Law, MDSA, LLC will comply with Minn. Stat. Sec. 80C.14, Subds. 3,4, and 5, which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of their Franchise Agreement). (See also Rider A to the Franchise Agreement for Minnesota).

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

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

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. "The State Cover Page is amended to add a new RISK FACTOR, as follows: YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. IF YOU FAIL TO DO SO, YOU COULD LOSE SOME TERRITORIAL RIGHTS YOU ARE GRANTED OR BE REQUIRED TO PAY A PENALTY FEE."
3. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following is added to the end of Item 4:

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

5. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

7. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

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

8. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

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

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

## **NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT**

1. Item 17 (r) is amended by inserting the following: "Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. • (See also Addendum to Franchise Agreement for North Dakota).
2. Item 17(v) is amended by inserting the following: "Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring litigation to be conducted outside North Dakota. (See also Addendum to Franchise Agreement for North Dakota).
3. Item 17(w) is amended by inserting the following: "The laws of the State of North Dakota supersede Georgia law, if such provisions are in conflict with such North Dakota laws." (See also Addendum to Franchise Agreement for North Dakota).

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for MDSA, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h.

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

## **WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

1. 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.
2. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
3. 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 or rights of remedies under the act such as a right to a jury trial may not be enforceable.
4. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

**EXHIBIT A**

**FRANCHISE AGREEMENT AND RELATED MATERIAL**



## **FRANCHISE AGREEMENT**

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## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "**Agreement**") is made and entered into on \_\_\_\_\_, 20\_\_ (the "**Effective Date**") by and between **MDSA, LLC**, a Georgia limited liability company with its principal place of business at 650 Engineering Drive, Peachtree Corners, Georgia 30092 ("**we**" "**us**" or "**our**"), and \_\_\_\_\_ [an individual] [individuals] [a corporation] [a limited liability company] ("**you**" or "**your**").

### BACKGROUND:

A. We and our affiliates, as the result of the expenditure of time, skill, effort and capital, have developed a distinctive system (the "**Mighty System**") relating to the establishment and operation of businesses that sell and distribute automotive parts, supplies, chemicals, equipment and related products ("**Mighty Businesses**") and operate under the Proprietary Marks (defined below).

B. Mighty Businesses are engaged in the sale of automotive parts, supplies, chemicals, equipment and related products designated by us ("**Mighty Product Line**").

C. The distinguishing characteristics of the Mighty System include a distinctive plan and system relating to the purchase and distribution of the Mighty Product Line through a national franchise structure; standards and specifications for products, equipment, materials and supplies; uniform standards, specifications and procedures for operations; procedures for purchasing, inventory and management control; accounting methods; training and assistance; specified computer system; and sales, marketing and promotional programs and techniques, all of which may be changed, improved and further developed by us.

D. The Mighty System and Mighty Businesses are identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated and may be designated in the future by us in writing for use in connection with the Mighty System including the mark "MIGHTY" and other marks (the "**Proprietary Marks**").

E. You desire to enter into the business of operating a business under the Mighty System and using the Proprietary Marks, and you wish to enter into this Agreement with us for that purpose and to receive the training and other assistance provided by us in connection therewith.

F. You understand and acknowledge the importance of our high standards for quality and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

NOW, THEREFORE, the parties agree as follows:

### 1. GRANT

1.1 We grant to you the right, and you hereby undertake the obligation, upon the terms and conditions in this Agreement: (a) to establish and operate a Mighty Business that offers products designated by us (the "**Franchised Business**"); (b) to establish and operate the Franchised Business in compliance with all mandatory specification, standards, operating procedures and rules that we periodically prescribe for Mighty Businesses and (c) to use the Proprietary Marks and the Mighty System solely in connection with operating the Franchised Business.

1.2 Subject to your compliance with all of the terms and conditions of this Agreement and the provisions of Section 1.4 below related to National/Regional Account Contracts (defined below), we grant you the following:

1.2.1 The exclusive right to operate the Franchised Business solely in connection with the sale of the Mighty Product Line to (i) Customers within the franchise territory (the “**Franchise Territory**”) specified in Exhibit C and (ii) your Affiliated Entities (defined below). “**Customers**” means purchasers of the Mighty Product Line for installation in the automotive aftermarket or shop level consumption or utilization, excluding Affiliated Entities. “**Affiliated Entities**” means corporations, divisions, limited liability companies or other entities owned, licensed or controlled by you at the time you execute this Agreement and identified in Exhibit B of this Agreement. We or you may add additional Affiliated Entities by amending Exhibit B of this Agreement, subject to our prior written approval.

1.2.2 The nonexclusive right to use and distribute copies of any copyrighted or other protected materials, including advertising, sales promotion, marketing and other materials to establish and support the Franchised Business, which we may make available to you for use with the Mighty System.

1.3 You acknowledge and agree that you are not entering into this Agreement to solely supply the Mighty Product Line to your Affiliated Entities. You acknowledge and agree that this Agreement relates solely to the Franchise Territory and, except for supply to your Affiliated Entities, affords you no right to operate the Franchised Business or use the Proprietary Marks in any territory other than the Franchise Territory. You acknowledge and agree that other franchisees that operate an automotive service business with multiple retail service outlets may supply their Affiliated Entities located within your territory. You agree to locate your warehouse and office within the Franchise Territory unless we approve another location in writing in advance. Except as provided in this Section 1, we will not grant any other franchise for a Mighty Business in the Franchise Territory, nor will we operate a Mighty Business or distribute products bearing the Proprietary Marks in the Franchise Territory. You acknowledge that the Mighty System may be supplemented, improved and otherwise modified from time to time by us; and you agree to comply with all our reasonable requirements in that regard, including offering and selling new or different products or services as part of the Mighty Product Line specified by us.

1.4 You may participate in our national/regional account program (“**National/Regional Account Program**”). You acknowledge and agree that we, at our discretion, may change the terms and conditions of the National/Regional Account Program. You must comply with the following terms and conditions related to the National/Regional Account Program:

1.4.1 The term “**National/Regional Accounts**” are businesses designated by us, purchasing the Mighty Product Line, or any part of the Mighty Product Line, and which operate in more than one franchise territory. We have the right to condition our consent (although we are not obligated to grant our consent) on your agreement to comply with certain requirements and we have the right to withdraw our consent for any or no reason as we deem appropriate. If we withdraw our consent to your providing the Mighty Product Line to one or more National/Regional Accounts, you must cease all solicitation, servicing and/or other activity (including providing the Mighty Product Line) with respect to that National/Regional Account(s) immediately.

1.4.2 We retain the right under all circumstances to provide the Mighty Product Line to any National/Regional Account location, wherever operated, provided, however, we may offer you the responsibility under this Agreement to provide the Mighty Product Line through your Franchised Business that we would like to provide to the National/Regional Account location or locations (as determined by us). If we offer you the opportunity to provide the Mighty Product Line to any National/Regional Account or National/Regional Account location, you must respond to such offer in accordance with the procedures and timeframe in the Operations Manual (defined below). If you fail to respond to our offer to provide the Mighty Product Line to a National/Regional Account or a National/Regional Account location, or you fail to agree to or comply with the terms and conditions that we have established with the National/Regional Account (the “**National/Regional Account Contract**”), you will be deemed to have forfeited the opportunity related to such National/Regional Account or National/Regional Account location.

1.4.3 If you fail to accept the offer in the manner we specify (including the terms of the National/Regional Account Contract), we (and our affiliates) also have the right, or may authorize other franchisees or third parties, to provide the Mighty Product Line to the locations of the National/Regional Account.

1.4.4 If you default under this Agreement for any reason, we may cease to make the National/Regional Account Program available to you.

1.4.5 You must follow all additional terms, conditions, rules, regulations and procedures in the Operations Manual related to the National/Regional Account Program.

1.5 Except as expressly limited by this Section 1, we and our affiliates retain all rights with respect to Mighty Businesses, the Proprietary Marks, the Mighty System, the Mighty Product Line, the sale of similar or dissimilar products and services, and any other activities we deem appropriate whenever and wherever we desire. We and our affiliates reserve the right in the future to market products other than the Mighty Product Line within the Franchise Territory under a different brand name or mark through other distribution methods, should we or our affiliates develop a plan to do so.

1.6 For purposes of this Agreement, (i) the term "**affiliate**" means any person (includes parents and subsidiaries) that, directly or indirectly, controls, is controlled by or is under common control with, the referenced party (ii) the term "**person**" means a natural person, partnership, limited partnership, limited liability company, corporation, trust, estate, association, unincorporated association or other entity, and (iii) the term "**entity**" means a corporation, partnership, limited partnership, or limited liability company.

## 2. TERM AND RENEWAL

2.1 Unless this Agreement is sooner terminated as provided herein, this Agreement will be in effect upon its execution by us and the term of this Agreement will be 10 years from the Effective Date (the "**Term**"). You acknowledge that the rights granted under this Agreement are of limited duration and do not convey any rights of ownership or goodwill whatsoever in the Proprietary Marks.

2.2 You may apply to operate the Franchised Business for two additional terms of at least 5 years if the following preconditions are met before the renewal term:

2.2.1 At least 60 days, but not more than 120 days, before the end of the Term, you must submit to us written notice of your request for renewal along with a completed version of our renewal application;

2.2.2 Upon our request, you must provide to us a written business plan and succession plan for the Franchised Business which must meet our approval, no less than 60 days before the expiration of the Term;

2.2.3 You must not have any past due monetary obligations or other outstanding obligations to us and our affiliates, or the approved suppliers for the Mighty System;

2.2.4 You must not be in default of any provision of this Agreement or any other agreement between you (or any of your owners) and us, our affiliates, the approved suppliers for the Mighty System or any lessor for premises used for the Franchised Business; and you must have substantially complied with all the terms and conditions of such agreements during the Term;

2.2.5 You must execute a general release, in a form required by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents and employees;

2.2.6 You must execute the then-current form of franchise agreement offered by us which will supersede this Agreement in all respects, the terms of which may differ from the terms of this Agreement including requirements to pay fees, terms and conditions different from those contained in this Agreement and/or a modified Franchise Territory, except that you will not be required to pay any initial franchise fee;

2.2.7 You must comply with our then-current qualification and training requirements;

2.2.8 When you execute the then-current form of franchise agreement offered by us, you must pay us a renewal fee designated in Exhibit D to this Agreement, based on the number of registered vehicles in the Franchise Territory at the time you submit the renewal application as determined by us.

2.3 Notwithstanding the provisions of this Section 2, if you fail to meet the conditions required for renewal after the Term, we may, at our option, extend the Term for 1 year. The 1 year extension fee is 10% of the applicable renewal fee designated in Exhibit D to this Agreement.

### 3. DUTIES OF FRANCHISOR

3.1 Before you commence operating the Franchised Business, we will provide you with the following:

3.1.1 a copy of, or electronic access to, our operations manuals (the "**Operations Manual**"), as more fully described in Section 10 below. The Operations Manual includes the Mighty Buying Guide (the "**Buying Guide**");

3.1.2 Five to ten days of training in the operation of the Franchised Business (including classroom business and sales training and field sales and operations training), before your opening for either you or your designated manager (the "**Designated Manager**") as detailed in Section 6 below. The Designated Manager is the appointed manager devoting full-time best efforts to the Franchised Business who has been approved and certified by us as having successfully completed all necessary training requirements as required under Section 6 below;

3.1.3 such pre-opening or opening assistance in the initial operation of the Franchised Business (including an introductory sales program for the Franchise Territory) as we may deem appropriate;

3.1.4 such information as we may have concerning possible sources and any specifications for fixtures, furniture, furnishings, signs, décor, improvements and equipment (including the Computer System (defined below)) (collectively, "**Operating Assets**") and other products and services available in connection with the operation of Mighty Businesses; and

3.1.5 such forms and other pre-opening materials for use in the operation of the Franchised Business, as we may make available.

3.2 We will continue our efforts to maintain standards of quality, appearance and service in all Mighty franchise territories thereby maintaining the public image and reputation of the Mighty System and the demand for the products and services provided under the Mighty System, and to that end we will provide you with such of the following as we deem appropriate:

3.2.1 continuing business and sales training for such periods and at such locations as we may designate;

3.2.2 periodic assistance in local advertising and marketing;

3.2.3 periodic individual or group counseling in the operation of the Franchised Business rendered in person, by seminar, newsletters or bulletins;

3.2.4 inspections of the operation of the Franchised Business;

3.2.5 advice and guidance concerning operating techniques, methods, and business procedures for Mighty Businesses;

3.2.6 active and continuing assistance in the purchase of the Mighty Product Line, which you will sell and distribute, and the opportunity to participate, on the same basis as other similar franchisees, in group purchasing programs for products, supplies and insurance;

3.2.7 a list of suppliers of automotive parts, supplies, chemicals, equipment and related products approved as part of the Mighty Product Line;

3.2.8 the opportunity to participate on the same basis as other similar franchisees in our National/Regional Account Program as described in the Operations Manual; and

3.2.9 optional business consulting and other training services which we may make available.

3.3 To ensure compliance with this Agreement and to enable us to carry out our obligation under this Agreement, you agree that we and our designated agents will have the right to:

3.3.1 determine, approve and supervise the standards of quality, service, capacity, durability and all other characteristics of all products sold by you;

3.3.2 inspect all Operating Assets used by you in connection with the Franchised Business;

3.3.3 establish standards and specification for the Mighty System; and

3.3.4 examine the products offered for sale by you in order to assure the quality standards established by us.

In connection with our rights under this Section 3.3, you agree to permit our authorized personnel to inspect the operations, products, equipment and facilities of your Franchised Business, to review your records, and to do all other acts reasonably necessary to determine and ensure that you are maintaining our standards and specifications.

3.4 You acknowledge and agree that any duty or obligation imposed on us by this Agreement may be performed by any affiliate, independent contractor, distributor, designee, employee or agent of ours, as we may direct. We will not assume responsibility or liability to you or any third parties to which we would not otherwise be subject.

#### 4. FEES

4.1 In consideration of the execution of this Agreement, you must pay us the initial franchise fee designated in Exhibit D (the "**Initial Franchise Fee**"). Upon execution of this Agreement by all parties, the Initial Franchise Fee is earned and non-refundable in consideration of

administrative and other expenses incurred by us in entering into this Agreement. You are required to join the independent Mighty Franchisees Association (the "**Association**") and remain a member of the Association for at least two years. To join the Association, you must pay the initiation fee shown in Exhibit D (the "**Initiation Fee**") which is due in full upon execution of this Agreement. The Initiation Fee for the Association will entitle you to full membership in the Association but you must pay yearly dues to the Association in connection with your membership. We will collect the Initiation Fee from you and transmit the Initiation Fee to the Association.

4.2 We have agreed on the option set forth in Exhibit A for payment, at all times after the commencement of operation of the Franchised Business, of recurring fees (the "**Recurring Fees**"). You shall pay the following Recurring Fees under the option that you elected in Exhibit A:

**Option A (Sections 4.2.1 and 4.2.2 directly below)**

4.2.1 Based on your Gross Volume of Business (defined below), a monthly continuing fee equal to (i) 5% of the Gross Volume of Business for the first 12 months after the Effective Date; (ii) the greater of 5% of the Gross Volume of Business or \$500 per month for months 13-24 after the Effective Date; and (iii) the greater of 5% of the Gross Volume of Business or \$1,000 per month for month 25 after the Effective Date through the remainder of the Term. For purposes of calculating this continuing fee, the first month will be the month of the Effective Date regardless of when the Effective Date occurs in such month.

4.2.2 A monthly advertising and marketing contribution to the Mighty Advertising Fund (the "**Fund**") currently administered by FRANAD, INC., a nonprofit corporation. Contributions to the Fund are used to support national, regional and/or local advertising, public relations and marketing programs placed in or through any medium and marketing research ("**Advertising**"). Currently, the percentage of your Gross Volume of Business that you are required to contribute to the Fund (the "**Contribution Rate**") is established by the bylaws of FRANAD, INC. (the "**Bylaws**"). The Bylaws establish the procedures for determining and adjusting the Contribution Rate. New franchisees acquiring undeveloped territories are granted a phase-in period before being required to meet the minimum contribution. As of the Effective Date, the Contribution Rate is .5% of Gross Volume of Business. For the first 12 months of operation, such new franchisees contribute based on the Contribution Rate, with no minimum monthly contribution. For months 13-24, the monthly contribution is the greater of \$50 per month or the amount calculated using the Contribution Rate. For month 25 through the remainder of the Term, the monthly contribution is the greater of \$100 per month or the amount calculated using the Contribution Rate. Notwithstanding the foregoing, we may require you to pay contributions to the Fund to us or our designee instead of to FRANAD, INC. if (a) FRANAD, INC. is dissolved, (b) members of FRANAD, INC. pursuant to the Bylaws approve a monthly Contribution Rate of less than .5% of the Gross Volume of Business or (c) the directors of FRANAD, INC. refuse to attend 2 or more FRANAD, INC. board meetings for which notice is duly given in any 3-month period (thereby preventing the board from having a quorum). If we, or our designee, succeed FRANAD, INC. pursuant to this Section 4.2, we may revise any and all Contribution Rates to the Fund under this Section 4, or the method of determining such contributions to the Fund, or both, from time to time for all franchise agreements in the Mighty System at our sole option upon 60 days written notice to you; provided, however, that in no event will the Contribution Rate to the Fund exceed .5% of the Gross Volume of Business during the Term without the concurrence of a majority of franchised Mighty Businesses then in operation.

**Option B (Sections 4.2.1, 4.2.2, and 4.2.3 directly below)**

4.2.1 Based on your Gross Product Purchases, a monthly continuing fee equal to (i) 8.3% of the Gross Product Purchases for the first 12 months after the Effective Date; (ii) the greater of 8.3% of the Gross Product Purchases or \$500 per month for months 13-24 after the



Effective Date; and (iii) the greater of 8.3% of the Gross Product Purchases or \$1,000 per month for month 25 after the Effective Date through the remainder of the Term. For purposes of calculating this continuing fee, the first month will be the month of the Effective Date regardless of when the Effective Date occurs in such month.

4.2.2 A monthly advertising and marketing contribution to the Mighty Advertising Fund (the "**Fund**") currently administered by FRANAD, INC., a nonprofit corporation. Contributions to the Fund are used to support national, regional and/or local advertising, public relations and marketing programs placed in or through any medium and marketing research ("**Advertising**"). Currently, the percentage of your Gross Volume of Business that you are required to contribute to the Fund (the "**Contribution Rate**") is established by the bylaws of FRANAD, INC. (the "**Bylaws**"). The Bylaws establish the procedures for determining and adjusting the Contribution Rate. New franchisees acquiring undeveloped territories are granted a phase-in period before being required to meet the minimum contribution. As of the Effective Date, the Contribution Rate is .5% of Gross Volume of Business. For the first 12 months of operation, such new franchisees contribute based on the Contribution Rate, with no minimum monthly contribution. For months 13-24, the monthly contribution is the greater of \$50 per month or the amount calculated using the Contribution Rate. For month 25 through the remainder of the Term, the monthly contribution is the greater of \$100 per month or the amount calculated using the Contribution Rate. Notwithstanding the foregoing, we may require you to pay contributions to the Fund to us or our designee instead of to FRANAD, INC. if (a) FRANAD, INC. is dissolved, (b) members of FRANAD, INC. pursuant to the Bylaws approve a monthly Contribution Rate of less than .5% of the Gross Volume of Business or (c) the directors of FRANAD, INC. refuse to attend 2 or more FRANAD, INC. board meetings for which notice is duly given in any 3-month period (thereby preventing the board from having a quorum). If we, or our designee, succeed FRANAD, INC. pursuant to this Section 4.2, we may revise any and all Contribution Rates to the Fund under this Section 4, or the method of determining such contributions to the Fund, or both, from time to time for all franchise agreements in the Mighty System at our sole option upon 60 days written notice to you; provided, however, that in no event will the Contribution Rate to the Fund exceed .5% of the Gross Volume of Business during the Term without the concurrence of a majority of franchised Mighty Businesses then in operation.

4.2.3 As used in this Agreement, "**Gross Product Purchases**" means the collective gross purchases of the Mighty Product Line by you and/or the Franchised Business from us, our affiliates or suppliers and any other products sourced by you and sold through your Mighty franchise. The calculation of Gross Product Purchases is net of credits issued to you for the return of products in the Mighty Product Line and exclusive of only sales tax or other tax receipts (the collection of which is required by law). For products in the Mighty Product Line that we and our affiliates sell directly to you, you shall pay amounts due under Section 4.2.1 at the same time that you pay for the products purchased from us and our affiliates and the invoices for such products shall include a line item for the amounts due under this Section. For products in the Mighty Product Line that are sold to you by suppliers, you must disclose such purchases and pay the amounts due under this Section as provided in Section 4.4 below. In no event will you arrange for the Mighty Product Line to be sold directly to Customers or Affiliated Entities without paying the amount due under this Section based on Gross Product Purchases.

4.3 As used in this Agreement, "**Gross Volume of Business**" means the collective gross amounts billed by you for sales or lease of automotive parts, supplies, chemicals, equipment and related products which arise from or are delivered by you or by any other person from business conducted or which originated in, on, from or through the Franchised Business, whether such business is conducted in compliance with or in violation of this Agreement. "Gross Volume of Business" is further defined to include all sales, net of credits issued to franchise customers for the return of automotive parts, supplies, chemicals, equipment and related products, derived from and through the Franchised Business, irrespective of the collection thereof, and exclusive of only: (i) sales tax or other tax receipts (the collection of which is required by law) and (ii) intra-organizational

sales to other Mighty System franchisees. References to Gross Volume of Business include all sales (including sales to Customers and Affiliated Entities).

4.4 Unless otherwise provided, all fees and other amounts due to us under this Agreement or in connection with the Franchised Business must be paid in the manner designated by us in the Operations Manual or otherwise in writing, but in any event no later than the 25th day of the month following the month in which such fees or amounts accrue; provided, however, that we may revise the required payment date if an Approved Supplier revises their payment schedule to reduce materially our payment term. Such payments to us must be accompanied by the statement required under Section 12.2.1 below. You must establish and maintain a bank account used solely for the Franchised Business (the “**Business Account**”). We reserve the right to change the payment procedures and processes upon notice to you and you agree to immediately comply with any new payment procedures or processes (including executing any new or additional forms which grant us the right to debit the Business Account for payment of fees and other amounts due to us under this Agreement or in connection with the Franchised Business).

4.5 Any fee, other amount, statement or report not actually received by us on or before the due date will be considered past due. If any fee or other amount is past due, you must pay us immediately upon demand, in addition to the past due amount, a service charge on such amount from the date it was due until paid, at the rate of 1.5% per month calculated on the past due balance, or the maximum rate permitted by law, whichever is less. This service charge will accrue whether or not we exercise our right to terminate this Agreement under Section 16 below. Entitlement to such service charge will be in addition to any other remedies we may have. If any payment or contribution submitted by check or draft is returned or dishonored, you must pay us immediately upon demand, in addition to the amount due, an amount to compensate us for any fees or charges that we incur due to such returned or dishonored check or draft.

4.6 Despite any designation you make, we may apply any of your payments to any part of your past due indebtedness to us or our affiliates. You agree that you may not designate an order for application of any fees different from that designated by us and expressly acknowledge and agree that we may accept fees paid pursuant to different instructions without any obligation to follow such instructions, even if such payment is made by its terms conditional on such instructions being followed. We may offset any amounts that you or your owners owe us or our affiliates against any amounts that we or our affiliates owe you or your owners. You may not withhold payment of any amounts you owe us or our affiliates due to our alleged nonperformance of any of our obligations under this Agreement.

## 5. OPENING OF FRANCHISED BUSINESS

You understand and acknowledge that every detail of the Mighty System is important to you, us and other Mighty System franchisees in order to develop and maintain high operating standards and specifications, to increase the demand for the products and services sold by all Mighty System franchisees and to protect our reputation and goodwill.

5.1 No later than 90 days after the Effective Date, you must (i) complete all pre-opening requirements in this Agreement (including the initial training requirements in Section 6 below), the Operations Manual and/or elsewhere in writing by us, (ii) obtain our authorization to commence operation and (iii) commence operation of the Franchised Business. We will act in good faith to give our authorization to commence operation after you have complied with the provisions of this Section 5. We have a right to extend the 90 day period at our discretion.

5.2 Before commencing operation of the Franchised Business, you must, at your expense, secure all permits and certifications as may be required for the lawful operation of the Franchised Business, together with copies of any certifications from all Governmental Authorities (defined below) having jurisdiction over the Franchised Business. “**Governmental Authority**”

means all federal, state, county, local, foreign or other governmental or regulatory agencies, authorities (including self-regulatory authorities), instrumentalities, commissions, boards or bodies.

5.3 Except as otherwise specifically stated in this Agreement as to be performed by us, it is your responsibility to undertake all actions necessary to commence operation of the Franchised Business at your sole expense; (a) to identify a potential site where your Franchised Business will operate from within the Franchise Territory; (b) to obtain necessary and appropriate governmental approvals; and (c) to obtain financing as needed for the Franchised Business and the purchase of all Operating Assets.

## 6. TRAINING

6.1 No earlier than 90 days before the Effective Date or no later than 90 days after the Effective Date, you or, if applicable, your Designated Manager, must have been certified by us as meeting our qualifications for management of similar Mighty Businesses. We have a right to extend the 90 day period at our discretion. You agree that the Franchised Business will only be operated directly by you or by a Designated Manager that is approved by us. We will have the right to require that each Designated Manager sign a confidentiality agreement to protect our proprietary information. You and/or your managerial personnel as designated by us must complete, to our reasonable satisfaction, any and all initial training programs as we may reasonably require. If you or your Designated Manager fail to complete the required initial training program satisfactorily, we will notify you of such failure and require you to designate a substitute trainee. If you fail to designate a substitute trainee, or if the substitute trainee fails to complete the initial training to our satisfaction with the result being that neither you nor the manager selected by you completes initial training to our satisfaction before the time the Franchised Business is required to commence operations in accordance with this Agreement, we may, at our sole option, elect to terminate this Agreement. We have a right to extend the 90 day period at our discretion

6.2 The Franchised Business must at all times be managed by personnel who have met our training requirements. We may, at our option, require your other initial and subsequent employees, including your salespersons, bookkeepers/office managers, to attend and satisfactorily complete all or any part of our initial training programs. All expenses incurred in training, including cost of travel, room, board and wages of the person(s) receiving such training will be borne by you. You must also bear the cost of any additional training which may be required by us. You agree that at all times during the Term, you or your Designated Manager will:

6.2.1 be principally responsible for the operation of the Franchised Business pursuant to this Agreement;

6.2.2 have attended and satisfactorily completed such training, retraining or refresher training programs as we may require, in our sole discretion, at such times and places as we may reasonably designate; and

6.2.3 use your full time and best efforts in operating the Franchised Business, in actively promoting the sale of the Mighty Product Line and in cultivating, developing and expanding the market for the Mighty Product Line within the Franchise Territory.

You and/or your managerial and sales personnel, must attend any and all periodic sales training courses and sales meetings as we may reasonably require; provided, you or your approved Designated Manager must, attend at least one national or one regional meeting in any calendar year. All training programs conducted by us will be at such times and places designated by us. You may be required to pay a fee to us, or to trainers designated by us, for training courses, seminars and programs provided after the initial training programs described in this Section 6. In addition to any required fees for attendance, you or your employees will be responsible for any and all other expenses incurred by them in connection with all initial training programs, and other training and meetings, including the costs of transportation, lodging, meals

and wages. We have the right to provide any of the training described in this Section 6 through online training programs (including webinars) or self-study programs that we provide.

## 7. DUTIES OF FRANCHISEE

7.1 All automotive parts, supplies, chemicals, equipment and related products for the Franchised Business selected by you must meet "original equipment" requirements or their equivalent.

7.2 You agree to comply with all Mighty System rules, regulations, policies, standards and specifications which are by their terms mandatory, including those contained in the Operations Manual. You must operate and maintain the Franchised Business solely in the manner and pursuant to the standards and specifications in this Agreement, in the Operations Manual or in other written materials provided by us to you.

7.3 You specifically agree that you will conduct the Franchised Business in accordance with our professional and ethical image which you acknowledge is an integral part of the Mighty System, including requiring that you and your employees dress in accordance with the standards and specifications in the Operations Manual.

7.4 You agree to comply with the Minimum Performance Standards specified in Exhibit E (the "**Minimum Performance Standards**").

7.5 You must offer, and maintain an inventory of the products designated as Major Product Categories (defined below) in such amounts as may be reasonably required by us in the Operations Manual or otherwise in writing. "**Major Product Category**" means either a product category that represents a minimum of 10% of Mighty System sales or a product category that in our reasonable judgment may be expected to represent a minimum of 10% of Mighty System sales based on our Pilot Test (defined below), and "**Major Product Categories**" means more than one Major Product Category. We will revise the list of products in the Major Product Category from time to time. "**Pilot Test**" means a market test in a representative group of franchise territories to determine whether a new product category may be expected within 1 year to represent a minimum of 10% of Mighty System sales by meeting or exceeding 5% of Mighty System sales in the test market during the test period.

7.6 You agree to purchase the automotive parts, supplies, chemicals, equipment and related products in the Major Product Categories, either: from us; from such suppliers and manufacturers as are designated by us as approved suppliers and manufacturers for you; or from other suppliers and manufacturers, but on condition that (A) such parts and accessories not purchased from approved suppliers and manufacturers (i) be of comparable quality; (ii) be submitted by you to us for inspection initially, and annually thereafter, in order to facilitate quality control by us; (iii) be approved in writing by us before being sold or distributed by you, which approval will not be unreasonably withheld; (iv) be packaged with the Mighty label where we deem appropriate according to the standards specified by us in the Operations Manual; and (B) the manufacturer provides a certificate of insurance to us comparable to certificates furnished by the manufacturers then designated by us.

7.7 Notwithstanding Section 7.6 above, you may offer and sell "supplementary" products which have not been disapproved by us (not to exceed a maximum of 5% of your Gross Volume of Business), but which otherwise meet our specifications and product liability requirements in the Operations Manual. If you desire to offer and sell "supplementary" products in excess of 5% of your Gross Volume of Business, and the market opportunity warrants carrying additional non-Mighty products, you may do so with our prior approval as provided in (A) of Section 7.6 above. We assume no liability, either express or implied, to you or any customer or end-user, as a consequence of any such approval or disapproval of any product provided by you. You must provide to us, in such form as we may require in the Operations Manual or otherwise in writing, a listing of any products

sold to customers by you which have not been purchased by or provided to you from or through us or an approved supplier.

7.8 We have the right to act as purchasing agent and creditor for you and to receive a fee for such services. In addition, we have the right to designate ourselves as an approved supplier and to make a profit from the sale of accessories, equipment, parts and supplies by us or third parties to you if we serve as a manufacturer, assembler or distributor in a product sourcing role. We assume no liability to you or any third party for delays in shipment or transit of any products that we supply to you or for failure to deliver any automotive parts, supplies, chemicals, equipment and related products ordered from us which are temporarily out of stock or unavailable for any other reason.

7.9 You must obtain suitable equipment for the operation of the Franchised Business no later than 90 days from the date of this Agreement. You agree that you will not utilize in the Franchised Business any vehicle, Computer System, equipment, machine or machinery which does not meet our specifications, unless you have first requested in writing and received our written authorization to use same, which request will be void unless it specifically identifies the vehicle, equipment or machine in question. You agree to maintain all vehicles and other operating equipment used in connection with the Franchised Business in a clean, orderly, safe and attractive condition, and to conform with the standards of identification, cleanliness, appearance, neatness and environmental quality in the Operations Manual. Upon removal of any approved business vehicle(s) from service, you must remove from the vehicle(s) (i) the Proprietary Marks including "MIGHTY" and (ii) all other distinctive trade dress, images, slogans, logos, or symbols connected to the Mighty System.

7.10 We have the right (i) to determine, approve and monitor the standards of quality, service, capacity, durability and all other characteristics of all products sold by you; (ii) to inspect all Operating Assets used by you in connection with the Franchised Business; and (iii) to examine the products offered for sale by you to require you to maintain the quality standards established by us. You agree to permit our authorized personnel to inspect the operations, products, equipment, vehicles and facilities of the Franchised Business, and to do all other acts reasonably necessary to determine and ensure that you are maintaining the quality standards required by us.

7.11 You agree to operate the Franchised Business in conformity with such methods, standards and specifications that we prescribe in our Operations Manual to ensure that our required degree of quality, service and image is maintained; and to refrain from operating in any manner which adversely reflects on our name and goodwill, or on the Proprietary Marks.

7.12 You agree to grant to us a security interest in any and all products and supplies and any proceeds derived from the sales of the Mighty Product Line. You must execute our then-current form of Purchasing and Security Agreement (a current copy of which is attached as Exhibit F) which we may require you to execute from time to time. A current copy of our Credit Policy, which we may amend in our sole discretion, is attached as Exhibit F1. The security interest granted therein secures the payment to us of all obligations under this Agreement and of the purchase price of any products and goods, all obligations of you to us relating to the purchase and all costs, expenses, future advances and liabilities which may be made or incurred by us in the administration and collection of any such obligations. The Purchasing and Security Agreement will constitute a security agreement, and upon request by us, you must execute any additional instruments required to perfect this security interest including our then-current standard Uniform Commercial Code ("UCC") financing statement, a current copy of which is attached as Exhibit F2. You authorize us to file a copy of the Purchasing and Security Agreement, a UCC financing statement and any other documents that may be necessary to perfect the security interest.

7.13 You agree to comply with the Mighty System as it may be revised, amended or changed by us from time to time in our reasonable discretion.

7.14 You must use only business stationery, business cards, marketing materials, advertising materials, printed materials or forms which have been approved in advance by us. Any and all equipment, supplies or materials purchased, leased or licensed by you must always meet those standards specified by us in the Operations Manual or otherwise in writing.

7.15 In all advertising displays and materials, you must notify the public that you are operating the Franchised Business as a franchisee of ours and must identify your Franchised Business in the manner specified by us in the Operations Manual.

7.16 You must at all times maintain the Business Account and use only the Business Account in connection with banking and financial transactions for the Franchised Business. You grant to us and our agents the right to enter your business location(s), at a reasonable time, for the purpose of inspecting the business operations of the Franchised Business (including reviewing your books, records and accounts (including the Business Account)) and you agree to render such assistance as we or our agents may reasonably request and to take such steps as may be necessary to immediately correct any deficiencies detected during such an inspection upon our request or the request of our agents.

7.17 You grant to us the right to take such steps as are necessary to manage the Franchised Business for your account on an interim basis if you die or you are legally adjudicated to be incompetent or incapable of running the Franchised Business and to receive a reasonable fee for such services. We will manage the Franchised Business until completion of an approved transfer pursuant to Section 15 below.

7.18 You must not implement any change to the Mighty System (including the use of any products or supplies not already approved by us) without our prior written consent. Without limiting any other provisions in this Agreement, we have the perpetual and exclusive (i) right of ownership and use and (ii) authority to license all ideas, plans, innovation, enhancement, improvements, invention, concepts, formulas, ideas, methods and techniques relating to the development or operation of a Mighty Business or any similar business conceived, suggested or developed by you or your employees during the Term (collectively, "**Innovations**"). We will have all right, title and interest in any Innovations, without compensation to you, and you will (i) have no right, title or interest in any and all Innovations or (ii) right to copyright, register and/or protect any Innovations in your name. You will disclose to us any Innovations. If we, at our sole discretion and expense, elect to file a copyright, domain name registration or similar protection or registration relating to any such Innovations, you will execute such documents and provide us with such information as we may reasonably request in order to perfect such a filing. We will not be obligated to approve or accept any request to implement any Innovation. We may from time to time revoke our approval of any particular change or amendment to the Mighty System. Upon receipt of written notice of such revocation, you must modify your activities in the manner described by us. You will have no right to use any Innovations except as provided in this Agreement; provided, however, if this Agreement is terminated, you may continue, in accordance with the limitations in Section 18 below, to use any Innovations which you have developed, on condition that you do not in any manner hold yourself out as a franchisee under the Mighty System, as a franchisee operating a Mighty Business, or as being in any way connected with us.

7.19 You acknowledge and agree that we may change or modify the Mighty System, including to reflect the changing market and to meet new and changing consumer demands, and that variations and additions to the Mighty System may be required to preserve and enhance the public image of the Mighty System and operations of Mighty Businesses. Our changes to the Mighty System may include the adoption and use of new or modified products, services, new standards and specifications, and (as described in Section 9 below) trademarks, service marks and copyrighted materials. You must, upon reasonable notice, accept, implement, use and display in the operation of the Franchised Business any such changes in the Mighty System, as if they were part of this Agreement at the time of execution at your sole expense. Additionally, we have the right to vary the standards and specifications throughout the Mighty System, as well as the services and assistance

that we may provide to some Mighty System franchisees based upon the peculiarities of a particular territory or circumstance, existing business practices or other factors that we deem to be important to the operation of any Mighty Business or the Mighty System. You will have no recourse against us on account of any variation that we may give to any Mighty System franchisee, and you will not be entitled to require us to provide you with a like or similar variation.

## 8. COMPUTER SYSTEM

8.1 To ensure the efficient management and operation of the Franchised Business, and the transmission of data to and from us, you, at your expense, must (i) purchase or lease, and thereafter maintain, such computer and communication hardware and point of sale system hardware, handheld computer devices or accessories (e.g. M-PACT), required dedicated telephone, broadband and/or other internet and communication access services and power lines, modems, printers, facsimile and other computer related accessories or peripheral equipment as we specify in the Operations Manual or otherwise in writing and (ii) acquire computer and communication software (e.g. the Mighty Electronic Sales Reporting Software) as we specify in the Operations Manual or otherwise in writing from us or, if any, approved suppliers or vendors (collectively, the "**Computer System**"). You acknowledge that we will have no liability to you in connection with any Computer System problems, including any problems caused by any approved supplier or service provider providing products or services related to the Computer System. Additionally, we have established and may establish Websites (defined below), including a Website providing private and secure communications between us, you, Mighty System franchisees, licensees and other persons and entities as determined by us, in our sole discretion ("**Mighty Intranet**"). You agree to the following:

8.1.1 Your Computer System must have the capacity to electronically exchange information, messages and other data with other computers, by such means (including the Internet and the Mighty Intranet), and using such protocols (e.g. TCP/IP), required in the Operations Manual or otherwise in writing. You must maintain at all times, access to the Mighty Intranet in the manner specified by us in the Operations Manual or otherwise in writing. If required by us, you must execute such agreements or acknowledge such policies as we may prepare for use of the Mighty Intranet, and you agree at all times to comply;

8.1.2 You will provide us with full access to the Computer System and to all data associated with the operation of the Franchised Business. We will have the right from time to time (including on a daily basis) and at any time, to retrieve data and information relating to the operations of the Franchised Business from your Computer System direct access, by internet connection, modem or other requested means, and use it for any reasonable business purpose both during and after the Term. We may specify in the Operations Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at the Franchised Business, and you must provide to us reports as we may request from the data collected and maintained, which must be in the form and format we designate;

8.1.3 You must keep your Computer System in good maintenance and repair and, at your expense, must promptly install such additions, changes, modifications, substitutions and/or replacements to the Computer System, telephone and power lines and other computer related facilities, as we direct. You will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your Computer System; (b) the manner in which your Computer System interfaces with our computer systems and the computer systems of third parties; and (c) any and all consequences that may arise if your Computer System is not properly operated, maintained or upgraded. We will endeavor to give you 18 months' advanced notice of any major required upgrade to the Computer System;

8.1.4 We may develop or authorize others to develop software programs for use in the Mighty System, which you may be required to purchase and/or license and use in connection with the Franchised Business and for which you may be required to execute a license, sublicense or maintenance agreement with us or the approved vendor; and

8.1.5 If required by us, you must (i) contract with any service providers designated by us to provide infrastructure, platforms and/or computing services and resources to be used in connection with or as part of the Computer System (e.g. web hosting services, cloud computing services) as required by us in the Operations Manual or otherwise or (ii), if required by us, obtain such services and resources under any contracts or arrangements we establish to obtain such services and resources for the Mighty System.

8.2 You must abide by all applicable laws pertaining to the privacy of Customers, employees and transactional information ("**Privacy Laws**"). You must also comply with our standards pertaining to privacy information. If there is any conflict between our standards related to privacy information and the Privacy Laws, you must (i) comply with the Privacy Laws, (ii) immediately give us written notice of said conflict and (iii) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards pertaining to privacy information.

## 9. PROPRIETARY MARKS

"We" represent with respect to the Proprietary Marks that:

9.1 An affiliate of ours ("**TM Owner**") is the registered owner of the Proprietary Marks for the United States. Through a license agreement with TM Owner, we hold an exclusive license to use, and to license others to use, the Proprietary Marks in the manner contemplated by this Agreement. We will take all steps reasonably necessary to preserve and protect the ownership and validity in and to the Proprietary Marks.

9.2 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use of the Proprietary Marks will constitute an infringement of our rights and TM Owner's rights.

9.3 With respect to your use of the Proprietary Marks, you agree to:

9.3.1 Use only the Proprietary Marks designated by us, and to use them only in the manner authorized and permitted by us (including our directions for affixing "SM," "TM," or "®" adjacent to all Proprietary Marks);

9.3.2 Use the Proprietary Marks only for the operation and marketing of the Franchised Business;

9.3.3 Operate and advertise the Franchised Business only under the name "MIGHTY," and use the Proprietary Marks without prefix or suffix, unless otherwise authorized or required by us. You must not use the Proprietary Marks (including the MIGHTY service marks) or any name that is now, or in the future, used in connection with the Mighty System or Mighty Businesses as part of your entity name or other legal name or to identify you or the Franchised Business in other legal or financial capacity (including in connection with the Business Account, bank checks, bank accounts and other financial accounts), or as part of any e-mail address, domain name, URL or other identification of you or the Franchised Business in any electronic medium, unless agreed to in advance, in writing, by us. You may, as necessary to conduct the business of the Franchised Business and to obtain governmental licenses and permits for the Franchised Business, indicate that you will be operating the Franchised Business under the trade name "MIGHTY," provided that you must also clearly identify yourself as the owner and franchisee of the Franchised Business;

9.3.4 Identify yourself as the owner of the Franchised Business (in the manner required by us) in conjunction with any use of the Proprietary Marks, including on invoices, order forms, receipts and business stationery, as well as at such conspicuous locations on your premises;



9.3.5 Not use the Proprietary Marks to incur any obligation or indebtedness on our behalf;

9.3.6 Execute any documents deemed necessary by us to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability; and

9.3.7 Promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to TM Owner's ownership of, our right to use and to license others to use, or your right to use, the Proprietary Marks. You acknowledge that we and TM Owner have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We and TM Owner have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by us, except you will bear the salary costs of your employees. If we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, will be borne by you. In the event of any litigation relating to your use of the Proprietary Marks, you must execute any and all documents and do such acts as may, in our opinion, be necessary to carry out such defense or prosecution, including becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, we agree to reimburse you for your out-of-pocket costs in doing such acts.

9.4 You expressly understand and acknowledge that:

9.4.1 TM Owner is the owner of all rights, titles and interests in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and that we and TM Owner have the right to use, and license others to use, the Proprietary Marks;

9.4.2 During the Term and after the expiration or termination of this Agreement, you must not directly or indirectly contest the validity of, or TM Owner's ownership of, or right to use and to license others to use, the Proprietary Marks;

9.4.3 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks;

9.4.4 Any and all goodwill from your use of the Proprietary Marks will inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with your use of the Mighty System or the Proprietary Marks;

9.4.5 Except as specified in Section 1 above, the license of the Proprietary Marks granted to you is nonexclusive, and we thus have and retain the rights, among others: (a) to use the Proprietary Marks ourselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks or any other proprietary marks, and to grant licenses without providing any rights to you; and

9.4.6 If we decide to change, add or discontinue use of any of the Proprietary Marks, or to introduce additional or substitute proprietary marks for use in identifying the Mighty System, the Mighty Businesses operating under the Mighty System, and/or the Mighty Product Line, you, upon a reasonable period of time after receipt of written notice from us, will take such action, at

your sole expense, as is necessary to comply with such changes, alteration, discontinuation, addition or substitution. We will have no liability for any loss of revenue or goodwill due to any new Proprietary Marks or discontinued Proprietary Marks.

## 10. OPERATIONS MANUAL

10.1 In order to protect our reputation and goodwill and to maintain high standards of operation under the Mighty System and Proprietary Marks, you must operate the Franchised Business in accordance with the standards, specifications, methods, policies, procedures, buying guides and written instructions specified in the Operations Manual. We will provide you with access to the Operations Manual, via hardcopy, electronic access (e.g. the Mighty Intranet) or otherwise, for the Term upon completion of Mighty Training by the trainees required under this Agreement. Additionally, you acknowledge and agree that we may provide a portion or all of the Operations Manual and other instructional information and materials in electronic media, through the use of compact discs, audiotapes, videotapes, DVDs, computer software, e-mail, the Internet or through the Mighty Intranet.

10.2 You must treat the information contained in the Operations Manual, and any other materials created for or approved for use in the operation of the Franchised Business, as confidential and must use your best efforts to maintain such information as proprietary and confidential. You must not download, copy, duplicate, transfer, transmit, record or otherwise reproduce the foregoing materials, in any form or by any means, or otherwise make the same available to any unauthorized person or source. The Operations Manual will remain our sole property and will be accessible only from a secure place on your premises.

10.3 We may revise the contents of the Operations Manual, and you expressly agree to comply with each new or changed provision of the Operations Manual. You must ensure that the Operations Manual is kept current at all times. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copies maintained at our home office will be controlling.

## 11. CONFIDENTIAL INFORMATION

11.1 You must not, during the Term or thereafter, communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning us and/or the advertising, marketing, management or operations of the Franchised Business that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You must divulge such confidential information only to such of your employees as must have access to it in order to operate the Franchised Business. For purposes of this Agreement, "confidential information" means: (i) any and all information, knowledge or know-how relating to us and the Mighty System which may be communicated to you, whether communicated in writing, orally, electronically, by inspection, or by sample, exhibit, training, demonstration or other means; and (ii) the Operations Manual, information and materials received by you from us; provided, however, it will not include information which you can demonstrate came to your attention before disclosure by us, or which, at or after the time of disclosure by us to you, had become or later becomes part of the public domain through publication or communication by others. Confidential information may include information relating to the development and operation of the Mighty System; proprietary information and trade secrets regarding the products and services sold under the Mighty System and the manufacture or development of the products sold under the Mighty System; proprietary information related to the Mighty Product Line; advertising and marketing plans and materials for the Mighty System; information concerning the marketing, management and operation of Mighty Businesses under the Mighty System; information concerning us; electronic communications posted on the Mighty Intranet; electronic mail distribution lists; and the Operations Manual. The foregoing list of confidential information is illustrative only and does not necessarily include all matters considered confidential by us.

11.2 You must obtain the executed covenants related to confidentiality as required by Section 18.2 below.

## 12. ACCOUNTING AND RECORDS

12.1 You agree to establish a bookkeeping and recordkeeping system conforming to the requirements established by us, relating to the use and retention of daily sales invoices, purchase orders, purchase invoices, payroll records, check stubs, bank statements (including statements for the Business Account), sales tax records and returns, cash receipts and disbursements, supplier invoices, books, journals and general ledgers. In establishing and maintaining your bookkeeping and recordkeeping system, you must use all form documents established by us in the Operations Manual or otherwise. You acknowledge and agree that if we are required or permitted by statute, rule, regulation or any other legal requirement to disclose any information regarding you or the operation of the Franchised Business, including earnings or other financial information, we are entitled to disclose such information. In addition, you hereby expressly permit us to disclose any such information to potential purchasers (and their employees, agents and representatives) of ours in connection with the sale or transfer of any equity interests or assets of ours or any merger, reorganization or similar restructuring involving us.

12.2 You must provide us with those financial statements and reports required by us. All such statements and reports must be prepared (i) using any form documents established by us in the Operations Manual, and (ii) in accordance with the generally accepted accounting principles of the United States, to the extent applicable. If you are an entity, any documents required to be certified under this Section 12 must be certified by your principal executive officer or chief financial officer. Your current reporting obligations include the following:

12.2.1 No later than the 10th day of the month, a certified statement in a form required by us stating the fees due to us during the preceding month itemized by revenue producing activity as specified by us, the Gross Volume of Business for the prior month and such other information as we may require;

12.2.2 A monthly unaudited balance sheet and profit and loss statement in a form satisfactory to us covering the Franchised Business for the prior month and fiscal year to date, all of which must (i) be certified by you as true and correct and (ii) be delivered to us no later than 30 days after end of each month;

12.2.3 Within 60 days of any request by us, personal financial statements for you and/or your Principal Owners (defined below) that we designate. Such statements must be in a form which is satisfactory to us, certified by you and the Principal Owners, and fairly represent the total assets and liabilities of the person or entity covered by the statements;

12.2.4 Annual financial statements compiled or reviewed by an independent certified public accountant in a form satisfactory to us, which must (i) include a statement of income and retained earnings, and a balance sheet of yours, all for the fiscal year then ended and (ii) be delivered to us within 90 days of your fiscal year end. If you do not, in the ordinary course, obtain financial statements compiled or reviewed by an independent certified public accountant, then you may provide internally prepared financial statements which must be certified as true and correct by you. We will have the right at any time to require audited annual statements to be provided to us, at your expense;

12.2.5 A signed copy of all sales, use and gross receipt taxes returns and reports you are required to file and a signed copy of all state or federal income tax returns (including all supporting schedules) covering the operation of the Franchised Business, all to be delivered within 90 days of your fiscal year end;

12.2.6 Insurance certificates upon the annual renewal of the policies and all health and safety inspections reports; and

12.2.7 Any other forms, statements, reports, records, information and data as we may reasonably designate.

12.3 All reports or other information required to be submitted under this Section 12 must be submitted by means designated by us through (i) electronic means (e.g. the Mighty Electronic Sales Reporting Software or e-mail), (ii) mail service, or (iii) any other means designated by us. If any of the reports or other information required to be given to us in accordance with this Section 12 are not received by us by the required deadline, we reserve the right to charge you a late submission fee equal to \$100.00 for each report.

12.4 You must allow our representatives or designees to inspect the books, records, accounts and other information required to be maintained under this Agreement at all reasonable times in order to verify Gross Volume of Business that you report and any other matters relating to this Agreement and the operation of the Franchised Business. We may require you to submit to us, or our representatives or designees, copies of your books, records, bank statements, accounts and other information required to be maintained under this Agreement for any offsite inspection that we or our representatives conduct to audit the Franchised Business. We will give you 15 days to comply with any request to provide information for any offsite inspection. If requested by us, you, the Designated Manager and your owners must also be available at the inspection or by phone in connection with any offsite inspection to answer questions in connection with such inspection. If any inspection discloses that the Gross Volume of Business during any month actually exceeded the amount reported by you as your Gross Volume of Business by an amount equal to 5% or more of the Gross Volume of Business originally reported to us, you will bear the cost of such inspection and audit (including attorneys' and accounting fees and travel expenses, room and board and compensation of our employees, representatives or designees) and will pay any such deficiency with interest from the date due at the lesser of 18% per year of such past due amount or the highest rate permitted by applicable law, immediately upon our request. You must keep all books, records, accounts and other information required to be maintained under this Section 12 for not less than 3 years or any period required by law, and we will have a right to inspect such information during that period.

12.5 Upon our request, in addition to the foregoing unaudited monthly statements, within 90 days after the close of each fiscal year of yours, you must furnish to us, at your expense, an audited statement of income and retained earnings of yours for such fiscal year and an audited balance sheet of yours as of the end of such fiscal year, all prepared in accordance with generally accepted accounting principles and certified to by a certified public accountant. We may request such statements under circumstances which, in our sole discretion we deem appropriate, including the following:

12.5.1 if you seek to transfer any interest in the Franchised Business;

12.5.2 if you are notified by us of any default under this Agreement;

12.5.3 if any inspection of your books, records, accounts or other information under Section 12.4 above reveals that your Gross Volume of Business during any month actually exceeded 5% or more the amount reported; or

12.5.4 if you are more than 90 days past due on any obligation owed to us or any of our affiliates.

12.6 You must furnish to us, at our request, customer data for the Franchised Business, including the name, address, telephone number, product purchase history and pricing information for

each customer of the Franchised Business and such data must also be available for our independent access through the Computer System. All Customer data will be owned by you and us.

### 13. ADVERTISING AND MARKETING

Recognizing the value of advertising and marketing, and the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the Mighty System, you and we agree as follows:

13.1 FRANAD, INC., pursuant to its bylaws, or its successor pursuant to Section 4.2.2 above, will maintain and administer the Fund for Advertising and will direct all such Advertising with sole discretion over the concepts, materials and media used therein. All advertising and marketing contributions paid by you pursuant to Section 4.2.2 above will be part of the Fund. We will have the sole right to enforce the obligations of you and all other franchisees of the Mighty System to contribute to the Fund, and neither you nor any other franchisees of ours will be deemed a third party beneficiary with respect to the Fund or have any right to enforce any obligation to contribute thereto, except when acting through FRANAD, INC. pursuant to its bylaws. We have the right, but no obligation, to use collection agents and institute legal proceedings at the Fund's expense to collect advertising and marketing contributions. We also may forgive, waive, settle and compromise all claims by or against the Fund. Except as expressly provided in this Section 13, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing or administering the Fund. We may at any time defer or reduce contributions of a Mighty Business and, upon 30 days' prior written notice to you, reduce or suspend advertising and marketing contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Fund. You understand and acknowledge that the Fund is intended to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the Mighty System as a whole and that we will have no obligation to ensure that any particular franchisee benefits directly or pro rata from the Advertising. No part of the Fund will be used to defray any of our general operating expenses other than those reasonably allocable to such Advertising, or other activities reasonably related to the administration or direction of the Fund and the Fund's related programs, and in either such event only to the extent provided in the FRANAD, INC. bylaws unless FRANAD, INC. is no longer administering such Fund. You agree that the Fund may otherwise be used to meet any and all costs incident to such Advertising. In addition, you agree that all or any portion of the Fund may be expended for promotional programs on a national, regional or local basis, provided that such programs are made available to all similarly situated franchisees as determined by FRANAD, INC., or any successor, in its reasonable discretion. Notwithstanding any provision hereof, FRANAD, INC. will not be deemed a third party beneficiary of this Agreement.

13.2 Any Mighty Businesses owned by us or our affiliates will contribute to the Fund on the same basis as franchised Mighty Businesses.

13.3 We will contribute to the Fund an amount equal to that actually contributed by franchised Mighty Businesses; provided, however, we will not be required to contribute to the Fund based on amounts contributed Mighty Businesses owned by us or our affiliates.

13.4 If we or our designees succeed FRANAD, INC. in administering the Fund, we will segregate and separately account for all contributions to the Fund and will, on request, furnish you with annual financial statements of the Fund. We may elect to accumulate monies in the Fund for such periods of time as we deem necessary or appropriate, with no obligation to expend all monies received in any fiscal year during such fiscal year. In the event our expenditures for Advertising in any one fiscal year exceed the total amount contributed to the Fund during such fiscal year, we will have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against our future contributions. Contributions to the Fund are not held by us in trust and we do not have any fiduciary obligation to you with respect to contribution to the Fund. Your contributions to the Fund are non

refundable and, once received by FRANAD, INC. or us, will be used in accordance with this Agreement;

13.5 We may provide you with local advertising and marketing materials, merchandising materials, sales aids, special promotions and similar advertising at a reasonable price, inclusive of handling costs. You acknowledge and agree that it will be reasonable for us not to provide any such advertising and marketing materials to you during any period in which you are not in full compliance with your obligations to contribute to the Fund or in which we do not require contributions from you.

13.6 You must obtain and maintain any special promotional materials of the kind and size as we may reasonably require for comparable Mighty System franchises.

13.7 All Advertising used by you must be in such media and geographic scope, and of such type and format as we may approve, must be conducted in a dignified manner and must conform to such standards and requirements as we may specify in the Operations Manual or otherwise. You must restrict all direct mail or distribution marketing campaigns to your Franchise Territory. You must submit (through the mail, return receipt requested or through a reputable overnight courier service) to us for our prior approval (except with respect to prices to be charged), samples of all Advertising to be used by you that have not been prepared or previously approved by us or our designated agents. Advertising by e-mail or other electronic media is subject to the provisions of this Section 13.7.

13.8 You specifically acknowledge and agree that any Website will be deemed Advertising under this Agreement and will be subject to (among other things) our approval under the provisions of Section 13.7 above. As used in this Agreement, the term "**Website**" means an interactive electronic document, series of symbols or otherwise, that is contained in a network of computers linked by communications software. The term Website includes Internet and World Wide Web home pages. In connection with any Website, you agree to the following:

13.8.1 We will have the right, but not the obligation, to establish and maintain a Website to promote the Proprietary Marks, any or all of the Mighty Product Line, Mighty Businesses, the franchising of Mighty Businesses and/or the Mighty System ("**System Website**"). We will have the sole right to control all aspects of the System Website, including our design, content, functionality, links to the Websites of third parties, legal notices and policies and terms of usage. We will also have the right to discontinue operation of the System Website;

13.8.2 We will have the right, but not the obligation, to designate one or more web page(s) to describe you and/or the Franchised Business ("**Webpage**"), with such Webpage(s) to be located within the System Website. You must comply with our policies with respect to the creation, maintenance and content of any Webpage; and we will have the right to refuse to post and/or discontinue posting any content and/or the operation of the Webpage;

13.8.3 You may, upon obtaining our advance written approval, use in connection with the Franchised Business a Website of yours in connection with the Franchised Business (the "**Established Website**"). You, at your expense, must pay all initial site set up fees for the Established Website and related to maintaining the Established Website. In connection with the Established Website, you must comply with the following requirements, and our other applicable requirements in the Operations Manual or otherwise in writing:

i. You may add to the Established Website information regarding the Franchised Business that we wish to incorporate into Established Website; provided, however, that you may only use information, web materials, web pages, and web site content which we have approved in advance in writing and you may not publish any pricing information on the Established Website. The Established Website may not display, offer or feature products that are not part of the Mighty Product Line.

ii. You must disclose on the Established Website that you are restricted to selling only within the Franchise Territory.

iii. If we require, you must provide on the Established Website a hyperlink to the System Website, or other links required by us. You must not use any of the Proprietary Marks or any of our copyrighted materials or information on the Established Website except in compliance with the Operations Manual. We will be, and at all times remain, the sole owner of our copyrights or trademarks which appear on the Established Website.

iv. You must comply with Section 17.8 below upon termination or expiration of this Agreement.

13.8.4 We will have the right to modify our policies and requirements regarding Websites, the System Website, Webpages, and the Established Websites as we may determine is necessary or appropriate and you must immediately comply with those policies and requirements (which may include ceasing to use any Established Website at such time).

13.9 You acknowledge and agree that any and all copyrights in and to advertising, and promotional materials developed by or on behalf of you which bear the Proprietary Marks, will be our sole property, and you agree to execute such documents (and, if necessary, require your independent contractors to execute such documents) as may be deemed reasonably necessary by us to give effect to this provision. Any advertising, marketing, promotional, public relations, or sales concepts, plans, programs, activities or materials proposed or developed by you for the Franchised Business or the Mighty System and approved by us may be used by us and other Mighty System franchisees without any compensation to you.

13.10 You must comply with the system standards developed by us for the Mighty System, in the manner directed by us in the Operations Manual or otherwise, with regard to our authorization to use, and use of, blogs, common social networks (including "Facebook" and "Myspace"), professional networks (including "LinkedIn"), live blogging tools (including "Twitter"), virtual worlds, file, audio and video sharing sites and other similar social networking media or tools ("**Social Media**") that in any way references the Proprietary Marks or involves the Mighty System or the Franchised Business.

#### 14. INSURANCE

14.1 You must procure, before the commencement of any operations under this Agreement, and must maintain in full force and effect at all times during the Term, at your expense, an insurance policy or policies protecting you and us against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business. We may, at our sole discretion, require life insurance covering (i) you if you are an individual or (ii) holders of greater than a 25% equity or voting interest in you if you are an entity. Such policy or policies will reflect industry standards, must be written by a responsible carrier or carriers acceptable to us, must name us and our affiliates as additional insureds and must provide at least the types and minimum amounts of coverage as are specified in the Operations Manual which may be modified by us.

14.2 Your obligation to obtain and maintain the policy or policies in the amounts specified in the Operations Manual will not be limited in any way by reason of any insurance which may be maintained by us, nor will your performance of that obligation relieve you of liability under the indemnity provisions in Section 21.4 below.

14.3 Before the commencement of any operations under this Agreement, and thereafter on an annual basis, you must deliver to us Certificates of Insurance evidencing the proper types and minimum amounts of coverage are in force. You must also maintain Certificates of Insurance

evidencing the required types and minimum amounts of coverage at the Franchised Business and furnish to us a copy. All Certificates of Insurance must expressly provide that no less than 30 days' prior written notice must be given to us in the event of material alteration to or cancellation of any coverage evidenced by such Certificates.

14.4 Our insurance specifications are only minimum requirements and you should consult with an insurance representative to determine if any additional insurance is advisable for your Franchised Business. Should you, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised by us in the Operations Manual or otherwise in writing, we will have the right and authority (but not the obligation) to procure such insurance and to charge same to you, which charges, together with a reasonable fee for our expenses in so acting, will be payable by you immediately upon notice. The foregoing remedies will be in addition to any other remedies we may have.

## 15. TRANSFER OF INTEREST

15.1 This Agreement will inure to the benefit of our successors and assigns. We will have the right to transfer or assign our interest in this Agreement to any person, persons, association, corporation or legal entity, including to a competitor of ours who agree to assume all of our obligations under this Agreement.

15.2 You understand and acknowledge that the rights and duties created by this Agreement are personal to you and that we have granted the rights under this Agreement in reliance on many factors, including the individual or collective character, skill, aptitude and business and financial capacity of you and your principals. Accordingly, neither you nor any person owning any direct or indirect legal or equitable interest therein, may, without our prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or any related agreement, in the Franchise, in your or in the Franchised Business, or any portion or aspect thereof (the foregoing is collectively referred to herein as a "**Transfer**"). Included within the definition of a Transfer is any issuance of new ownership interests (e.g. shares of stock) in you, if you are a legal entity. Any such purported Transfer occurring by operation of law or otherwise, including any assignment by a trustee in bankruptcy, without our prior written consent will be a material default of this Agreement. In addition, in the event you are a corporation, the stock of such corporation must not be publicly sold or traded on any securities exchange or in the over-the-counter market without the express prior written consent of ours.

15.3 You understand and acknowledge the vital importance of your performance to the market position and overall image of ours. You also recognize the many subjective factors that comprise the process by which we selected you. Our consent to a Transfer by you (including any direct or indirect interest, such as by management contract, lease, proxy for voting of stock or otherwise) will not be unreasonably withheld, but will remain a subjective determination and will include the following conditions:

15.3.1 The proposed transferee is an individual or entity that meets our standards of qualification then applicable with respect to all new applicants for similar Mighty System franchisees, if such transferee will be involved in the management of the Franchised Business;

15.3.2 The proposed Transfer is at a price and/or upon such terms and conditions as we, in our judgment, deem reasonable based on the financial condition of the proposed Transferee;

15.3.3 As of the effective date of the proposed Transfer, all obligations of yours under this Agreement and under any other agreements between us and you are fully satisfied;



15.3.4 As of the effective date of the proposed Transfer, all obligations of the proposed transferee to us under all other agreements, franchise agreements and leases between the proposed transferee and us must be fully satisfied; and

15.3.5 As of the effective date of the proposed Transfer, we will have forwarded to you our approval, granted in our reasonable discretion, of the proposed Transfer to the proposed transferee.

15.4 You must submit to us, before any proposed Transfer, a list of all holders of direct or indirect equity and voting interests reflecting their respective present and/or proposed direct or indirect interests in you, in such form as we may require.

15.5 We may require, as a condition of our approval of any proposed Transfer, satisfaction of the additional requirements in Section 15.6 below in the event:

15.5.1 You are a limited liability company, privately-held corporation or other form of legal entity, and the proposed Transfer, alone or together with all other previous, simultaneous and/or proposed transfers, would have the effect of reducing directly or indirectly to less than 51%, the percentage of equity and voting interest (as reasonably determined by us) owned in you by the initial equity and voting owners identified in Section 2 of Exhibit A of this Agreement; or

15.5.2 You propose to sell substantially all of your assets, substantially all of the assets of the Franchised Business, or to otherwise make an assignment of this Agreement itself.

15.6 The requirements for all such Transfers under Section 15.5 above are as follows:

15.6.1 You must request from us and we will provide to the prospective transferee, our current form of franchise disclosure document required by the Federal Trade Commission's Trade Regulation Rule on Franchising and/or other applicable state franchise registration/disclosure laws, and receipt for same will be delivered to us, provided, however, we will not be liable for any representations other than those contained in such franchise disclosure document;

15.6.2 The proposed transferee must execute our then-current form of franchise agreement, which may contain terms and conditions substantially different from those in this Agreement; provided, however, that in the event of a transfer to an Immediate Family Member of transferor, the transferee may agree in writing to assume the obligations of the transferor under this Agreement for the portion of the Term remaining at the time of Transfer;

15.6.3 There must have been paid to us, together with the application for consent to the Transfer, the transfer fee in Exhibit D to this Agreement, based on the number of registered vehicles in the Franchise Territory at the time you submit the application.

15.6.4 The transferor and us must have executed general releases under seal, of any and all claims against us, its parent, subsidiaries, affiliates and their officers, directors, attorneys, shareholders and employees, in their corporate and individual capacities, including claims arising under federal, state and local laws, rules and ordinances arising out of, or connected with, the performance of this Agreement;

15.6.5 The transferee must demonstrate to our sole satisfaction that transferee (i) meets all of our requirements for becoming a franchisee, including that transferee has the necessary financial resources and meets our managerial and business standards then in effect for similarly situated franchisees; (ii) possesses a good moral character, business reputation and satisfactory credit rating; (iii) is not a competitor of ours; (iv) has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise);

and (v) in our sole judgment is committed to follow our operational guidelines and to achieve sales growth and financial success; and

15.6.6 The transferee and/or its designated managerial personnel (as applicable) must have completed, to our satisfaction, our then-current training requirements.

In notifying you of our decision to consent to or withhold consent for any transfer, we will act diligently and in good faith.

15.7 Upon the death or legal adjudication of mental incompetency of any person with any direct or indirect interest in you, the executor, administrator or personal representative of such person must transfer his interest to a third party approved by us within 6 months after the death or finding of incompetency. Such Transfers will be subject to the same conditions as any Transfer described in Sections 15.5 and 15.6 above. If the heirs or beneficiaries of any such person are unable to meet the conditions in Section 15.6 above, we may terminate this Agreement.

15.8 If you or any individual or entity holding any direct or indirect interest in you, this Agreement, or the Franchised Business desires to sell or transfer for value, either an interest in this Agreement, in you, or in the Franchised Business, to a prospective transferee other than an Immediate Family Member, you must notify us in writing of such intention and offer to sell or transfer such interest to us upon the terms and conditions in such notice, which must be at least as favorable as those offered by a bona fide third party (and such notice must include a written copy of such third party offer), net of any applicable real estate and/or business brokerage commissions, at our option. With respect to a proposed transfer of an ownership interest in you, this provision must only apply if the proposed Transfer, alone or together with all other previous, simultaneous and/or proposed transfers, would have the effect of reducing directly or indirectly to less than 51% the percentage of equity and voting interest (as reasonably determined by us) owned in you by the initial equity and voting owners identified in Section 2 of Exhibit A of this Agreement. If neither party can agree within 30 days of such notice on the terms and conditions of such sale or transfer, or if we notify you that we do not want to acquire such interest, you may sell or transfer such interest to such bona fide third party; provided that such sale or transfer is made within 90 days after the expiration of any offer to us, that such sale or transfer is made on the same terms and conditions as those offered in writing by such third party and provided in the notice to us, that all applicable requirements of this Section 15 are met and, in connection with such sale or transfer, that the Franchised Business must continue to be operated pursuant to the Mighty System. Failure of ours to exercise the option afforded by this Section 15.8 will not constitute a waiver of any other provision of this Agreement, including all requirements of this Section 15, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser will be designated by us, and his/her determination will be binding.

15.9 Notwithstanding the foregoing, you (if an individual) may incorporate the Franchised Business and may assign and delegate this Agreement and your rights and obligations under this Agreement on one occasion to an entity organized by you for that purpose only, provided that you must own and continuously vote at least 51% of all the issued and outstanding ownership interest of the new entity, and further provided that we will approve all other owners of such entity, which consent will not be unreasonably withheld. You must give us written notice of the assignment and delegation of the Agreement to the new entity, which must agree in writing to assume such rights and obligations, and the terms "you" and "your" as used in this Agreement will then refer to the new entity; provided, however, that such assignment will in no way affect the obligations hereunder of the individual above designated "you" and "your," who will remain fully bound by and responsible for the performance of all of such obligations, jointly and severally with the new entity. You will at no time

engage in any business or activities other than the exercise of the rights granted in this Agreement to you and the performance of your obligations hereunder.

15.10 Our consent to a transfer of any interest in you will not constitute a waiver of any claims we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferee.

## 16. DEFAULT AND TERMINATION

16.1 We may not terminate this Agreement before the expiration of its term except for "good cause," which will mean the occurrence of any event of default described below. Upon the occurrence of any event of default, we may, at our option, and without waiving our rights under this Agreement or any other rights available at law or in equity, including our rights to damages, terminate this Agreement and all of your rights hereunder effective immediately upon the date we give written notice of termination, upon such other date as may be in such notice of termination or default, or in those instances enumerated in this Section 16, automatically upon the occurrence of, or the conclusion of the specified period following, an event of default.

16.2 The occurrence of any one or more of the following events will constitute an event of default and grounds for termination of this Agreement by us:

16.2.1 automatically, if, in our reasonable business judgment, you become insolvent (meaning your inability to meet your financial obligations when due or that your liabilities exceed your assets) or make a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by you, or such a petition is filed against and consented to by you, or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you, or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed;

16.2.2 automatically, if you abandon or cease to operate all or a material part of the Franchised Business conducted under this Agreement for 15 consecutive days unless such closure is approve in writing by us, or excused by force majeure;

16.2.3 if you fail to pay any monies owing to us or our affiliates within 30 days of the date on which you receive demand for payment;

16.2.4 if you under reported your Gross Volume of Business during any month by 7% or more of the actual Gross Volume of Business during such month on 2 or more occasions during the Term, whether or not you subsequently pay the deficiency;

16.2.5 if you or your Designated Manager fail to commence operation of the Franchised Business as required by Section 5 above;

16.2.6 if you make, or have made, any materially false statement or report to us in connection with this Agreement or application therefore;

16.2.7 if there is any violation of any transfer and assignment provision contained in Section 15 above;

16.2.8 if you receive from us 2 or more notices to cure defaults or violations of this Agreement during any 12-month period;

16.2.9 if you fail for the longer of a period of 30 days after notification of noncompliance by a Governmental Authority, or a period of 30 days after resolution of a timely contest to such

notification of noncompliance, to comply with any law or regulation applicable to the operation of the Franchised Business;

16.2.10 if you or your Designated Manager violates any covenant of confidentiality or nondisclosure contained in Sections 11 above or Section 18 below, or otherwise discloses, uses, permits the use of, copies, duplicates, records, transmits or otherwise reproduces any manuals, materials, goods or information created or used by us and designated for confidential use within the Mighty System without our prior approval;

16.2.11 if you, any of your directors, officers or any person owning an interest in this Agreement, in you, or in the Franchised Business is convicted of a felony or any other crime or offense that is reasonably likely, in our opinion, to affect adversely the Mighty System, any Mighty Business, the Proprietary Marks or the goodwill associated therewith;

16.2.12 if you default under any Purchasing and Security Agreement, mortgage, deed of trust or lease with us or any third party covering the Franchised Business, and we or any such third party treat such act or omission as a default, and you fail to cure such default to our satisfaction or such third party within any applicable cure period granted to you by us or such third party;

16.2.13 if you or any Principal Owner(s) of this Agreement default on any other agreement with us, or any affiliate of ours, and such default is not cured in accordance with the terms of such other agreement; or

16.2.14 if you fail to meet the Minimum Performance Standards in Exhibit E to this Agreement during 3 of any 10 years of the Term, and the failure in each year is due to other than fire, earthquake, embargoes, floods, acts of any public authority or sovereign government or unusually severe weather. In the event you fail to meet the Minimum Performance Standards in Exhibit E to this Agreement during 3 of any 10 years of the Term, you will have the option of: (i) reducing the size of the Franchise Territory to a size containing the number of registered vehicles corresponding to your actual annual Gross Volume of Business, with the final configuration of the territory to be released and the territory to be retained subject to our approval, in our sole discretion; or (ii) paying the difference between actual Recurring Fees paid under Section 4.2 above and the fee corresponding to the applicable Minimum Performance Standards. If you fail to elect one such option within 60 days of notification by us of your failure to meet Minimum Performance Standards, we may, in our sole discretion, elect to reduce the size of the Franchise Territory in accordance with (i) in the previous sentence.

16.3 Except as otherwise provided in Section 16.2 above, upon your failure to perform or breach of any covenant, obligation, term, condition, warranty or certification herein, we may terminate this Agreement by giving written notice (in the manner in Section 24 below) stating the nature of the default to you at least 30 days before the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction and promptly providing proof thereof to us within the 30-day period.

16.4 You may terminate this Agreement before the expiration of the Term only by giving us 90 days' prior written notice of such termination or otherwise with our consent. In the event that you claim that we have failed to meet any obligation under this Agreement, you must provide us with written notice of such claim, within 90 days of its occurrence, specifically enumerating all alleged deficiencies and providing us with an opportunity to cure, which will in no event be less than 30 days from the date of receipt of such notice by us from you. Failure to give such notice will constitute a waiver of any such alleged default.

16.5 You acknowledge that upon your failure to remedy any default specified in any written notice issued to you under this Section 16, we also have the right to (i) sell, directly or through others, products (including the Mighty Product Line) to Customers in the Franchise Territory,

(ii) cease providing any operational support or services until you comply to our satisfaction, with the written notice, (iii) suspend access and use of the Operations Manual, System Website, and Mighty Intranet; (iv) cease providing products to you; (v) cease your right to access the National/Regional Account Program (including the opportunity to service National/Regional Accounts); and (vi) cease having our affiliates and suppliers provide products, services and support to you. If we exercise our right to suspend your rights, we will only do so after your cure period under the written notice of default has expired. You agree that our exercise of these rights will not constitute an actual or constructive termination of this Agreement nor will it constitute our sole and exclusive remedy. If we exercise our right not to terminate this Agreement but to implement such suspension and/or removal, we have the right at any time after the appropriate cure period under the written notice has lapsed, to, upon written notice to you, terminate this Agreement without giving you any additional corrective or cure period. During any period of suspension, all fees due under this Agreement must continue to be payable by you. Additionally, if you are in default under this Agreement, we have the right to withhold or condition our consent or approval if needed until you cure all defaults. Our election of the suspension rights as provided above will not be a waiver by us of any breach of this Agreement or any other term, covenant or condition of this Agreement.

## 17. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted to you under this Agreement will terminate, and you must comply with the following obligations:

17.1 You must immediately cease to operate the Franchised Business, and you and your Designated Manager must not thereafter, directly or indirectly, represent to the public or hold yourself out as a present or former franchisee of ours in connection with the promotion or operation of any other business.

17.2 You must immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the Mighty System; the Proprietary Mark "MIGHTY" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols and devices associated with the Mighty System. In particular, you must (i) cease to use in advertising, operations, or in any manner whatsoever, any materials, methods, procedures or techniques associated with the Mighty System in which we have a proprietary right, title or interest, including the reproduction and distribution of copies of our copyrighted and other protected materials and use of any proprietary components of the Computer System, and (ii) cease to use the Proprietary Marks and any other marks and indicia of operation associated with the Mighty System and all trade dress, physical characteristics, color combinations and other indications of operation under the Mighty System. You agree that in the event of any termination or expiration of this Agreement, you will remove all signage bearing the Proprietary Marks upon our request.

17.3 You must take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by you which contains the mark "MIGHTY" or any other Proprietary Marks, and you must furnish us with evidence satisfactory to us of compliance with this obligation within 5 days after termination or expiration of this Agreement.

17.4 You agree, in the event you continue to operate or subsequently begin to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in our sole discretion, is likely to cause confusion, mistake or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to utilize any designation of origin, description or representation (including reference to us, the Mighty System or the Proprietary Marks) which suggests or represents a present or former association or connection with us, the Mighty System or the Proprietary Marks.

17.5 You must promptly pay all sums owing to us and our affiliates. Upon termination for any default by you, such sums must include actual and consequential damages, costs and expenses (including reasonable attorneys' fees) incurred by us as a result of the default.

17.6 You must, at your own expense, immediately (i) deliver to us hard and electronic copies (capable of being returned) of the Operations Manual (including the Buying Guide) and all other records, correspondence and instructions containing confidential information and trade secrets relating to the operation of the Franchised Business (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property, (ii) erase such information from your computer system and/or e-mail accounts and (iii) return to us all other materials, equipment and other property owned by us.

17.7 You must provide to us (i) customer data for the Franchised Business, including the name, address, telephone number, product purchase history and pricing information for each customer of the Franchised Business (including all Customers) and (ii), if requested, a complete backup of information on the Computer System (including information on your point-of-sale/inventory management system).

17.8 In the event you maintain an Established Website, you must immediately and permanently remove any and all content related to the Franchised Business, us, the Proprietary Marks, Mighty System and Mighty Product Line. You may not identify yourself on any Website or the Existing Website as a former franchisee or licensee of ours.

17.9 Take such action as may be required by us to transfer and assign to us or our designee all telephone numbers, white and yellow page telephone references, e-mail addresses, web pages, social media accounts and all trade and similar name registrations and business licenses for the Franchised Business, and to cancel any interest which you may have in the same.

17.10 You (and your Principal Owners) must comply with the covenants contained in Section 18 below. You acknowledge that in the event that Section 18 below is breached, our remedy at law would be inadequate and that we will be entitled to immediate injunctive relief.

17.11 We may establish and operate Mighty Businesses in the Franchise Territory.

17.12 Upon termination of this Agreement for any reason, we have the option, in our sole discretion, to purchase from you, at 90% of your actual cost, all or any portion of accessories, equipment, parts and supplies under the Proprietary Marks that you have available for sale or distribution to customers, exclusive of equipment that you have purchased to operate the Franchised Business. You may sell only to Mighty System franchisees in good standing any parts and accessories that we elect not to purchase.

## 18. COVENANTS

18.1 You covenant that, during the Term, except as otherwise approved in writing by us, you (or, if you are other than an individual, one of your owners) or your Designated Manager must devote full time and best efforts to the management and operation of the Franchised Business. The person who will devote full time and best efforts to the management and operation of the business must be directly responsible for (i) marketing the Franchised Business; (ii) customer service and customer relations; (iii) complying with the operation standards and the Operations Manual; and (iv) management of the staff. You acknowledge and agree that the success of the Franchised Business and the Mighty System are dependent upon the marketing, solicitation and sale of the Mighty Product Line under the Mighty System. To that end, you must use best efforts to: (1) maximize the sale of the Mighty Product Line in the Franchise Territory; (2) promote the Franchised Business; and (3) implement recommendations from us.

18.2 During the Term, you, your Principal Owners, and immediate family members covenant, individually, not to engage directly or indirectly as an owner, operator or in any managerial capacity in any automotive business specializing in the sale and distribution of automotive parts, supplies, chemicals, equipment and related products comparable to any of those being used in the Mighty Product Line, other than as a franchisee of the Mighty System, unless otherwise approved in writing by us in our sole discretion; provided, however, that you will not be prohibited hereby from owning equity securities of any such automotive business, whose shares are traded on a stock exchange or on the over-the-counter market so long as your ownership interest may only represent 2% or less of the total number of outstanding shares of such business. As a condition for entering into this Agreement, and thereafter, we may require your Principal Owners, if you are an entity, to execute nondisclosure and noncompetition agreements.

18.3 In the event this Agreement is terminated before its expiration date, or if you assign or transfer your interest in this Agreement, in you or in the Franchised Business to any person or business organization except as provided in Section 15 above, then in such event you covenant, for 2 years after such termination, transfer or assignment, not to engage as an owner, operator or in any managerial capacity, in any business engaged in the sale and distribution at wholesale of automotive parts, supplies, chemicals, equipment and related products, within the Franchise Territory, other than as an authorized franchisee or employee of another Mighty System franchise. Notwithstanding the foregoing, if you terminate this Agreement under Section 16.4 above, we will, upon written request by you, agree to waive the provisions of this Section 18.3 if you become an Independent Automotive Parts Distributor or a manager for an Independent Automotive Parts Distributor. For purposes of this Agreement, an Independent Automotive Part Distributor means a distributor that operates a wholesale distribution business under its own name and does not join a buying cooperative with more than 3 present or former Mighty System franchisees, use our name, trademark or service mark, buying group, buying cooperative or distribution chain or engage in a full-service relationship with any of the foregoing. A full service relationship is one in which the distributor receives any of the following: distribution support advertising, insurance, a full line of Mighty branded merchandise of ours, buying group, business cooperative or distribution chain, a vehicle fleet program or account field support or such other similar services as ours in good faith reasonably determines to be a full-service relationship.

18.4 In the event of any termination, expiration or nonrenewal of this Agreement, you agree that you will never use our confidential information or trade secrets, in the design, development or operation of any automotive parts business, including any business specializing in the sale and distribution at wholesale of automotive parts, supplies, chemicals, equipment and related products. You agree that if you engage as an owner, operator or in any managerial capacity in any such business, you will assume the burden of proving that you have not used our confidential information or trade secrets. The protection granted under this Agreement will be in addition to, and not in lieu of, all other protections for such trade secrets and confidential information as may otherwise be afforded in law or in equity.

18.5 During the Term, and for 2 years after any termination before the expiration date of this Agreement, or after the assignment or transfer of any interest in this Agreement, in the rights under this Agreement, in you, or in the Franchised Business by you to any person or business organization, you covenant that you will neither directly or indirectly solicit, induce, divert or take away any customer within the Franchise Territory who you actually served during the Term. If you terminate this Agreement under Section 16.4 above, we will, upon written request by you, agree to waive the provisions of this Section 18.5 if you become an Independent Automotive Parts Distributor or a manager for an Independent Automotive Parts Distributor.

18.6 The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. Should any part of these restrictions be found to be unenforceable by virtue of its scope in terms of area, business activity prohibited or length of time, and should such part be capable of being made enforceable by reduction of any or all thereof, both parties agree that the same will be enforced to the fullest extent

permissible under the law. The running of any period of time specified in this Section 18 will be tolled and suspended for any period of time in which you are found by a court of competent jurisdiction to have been in violation of this restrictive covenant. We may revise any of the covenants in this Section 18 so as to reduce your obligations under this Section 18, unilaterally, at any time, in its sole discretion, and you agree to comply with such covenants as modified. Additionally, the parties intend to be bound by this Section 18 should there be a change in the law which would render any provision in this Section 18 inoperative, then the parties authorize any judge to make any and all changes to ensure that the restraints for scope in terms of area, business activity prohibited or length of time are within the scope of the law.

18.7 You expressly agree that the existence of any claims you may have against us, whether or not from this Agreement, will not constitute a defense to the enforcement by us of the covenants in this Section 18; provided, however, any claims you may have against us may be brought in a separate proceeding. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by us in connection with the enforcement of this Section 18.

18.8 You acknowledge and agree that (a) you and the other individuals and entities required to comply with this Section 18 have received an advantage through the specialized training provided under this Agreement, the knowledge of the day-to-day operations of a Mighty Business and access to our standards, the Operations Manual, the Mighty System, our confidential information and our trade secrets, (b) are not designed to deprive you of a means of livelihood and will not do so and (c) the covenants and restrictions in this Section 18: (i) are reasonable, appropriate and necessary to protect our standards, the Mighty System, our confidential information, our trade secrets, other franchisees operating under the Mighty System, the goodwill of the Mighty System, relationships with our prospective and existing customers, and our legitimate interests and (ii) do not cause undue hardship on you or any of the other individuals and entities required by this Section 18 to comply with the covenants and restrictions.

## 19. CORPORATE OR LIMITED LIABILITY COMPANY FRANCHISEE

19.1 If you are an entity, each shareholder or member of you, and the interest of such person in you, must be identified in Exhibit A hereto. You may not be an entity that is any type of partnership. You must immediately furnish us with an update to the information contained in Exhibit A upon any change, provided that nothing in this Section 19.1 will waive or otherwise limit the terms of Section 15 above regarding transfers. Each person or entity owning a 20% or greater interest in you (the "**Principal Owners**") must execute the Guarantee Provision below.

19.2 You must identify in Exhibit A, one of your owners, who is reasonably acceptable to us, to serve as your "**Designated Owner**." The Designated Owner is one of your owners, who you empower with the responsibility and decision-making authority regarding the Franchised Business' operation and your business, and you acknowledge and agree that we will have the right to rely upon the Designated Owner for such purposes. Additionally, you must not remove or replace the Designated Owner identified in Exhibit A without our prior written approval.

19.3 If you are a corporation or limited liability company, you must comply with the following requirements:

19.3.1 Copies of your articles of incorporation, bylaws, articles of organization, operating agreement and/or other governing documents, and any amendments thereto, including the resolution of the Board of Directors or members authorizing entry into this Agreement, must be promptly furnished to us, upon our request;

19.3.2 You must maintain stop-transfer instructions against the transfer on your records of any equity securities; and each stock certificate or issued securities of you must have conspicuously endorsed, upon its face, a statement in a form satisfactory to us that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon



assignments by this Agreement; provided, however, that the requirements of this Section 19.3.2 will not apply to a publicly-held corporation; and

19.3.3 You must submit to us, for prior written approval, any corporate or other legal name that you propose to use.

## 20. TAXES, PERMITS AND INDEBTEDNESS

20.1 You must promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the operation of the Franchised Business. You must pay us or our affiliates within 10 days after demand: (i) all sales taxes, corporate taxes, trademark license taxes and any like taxes imposed on, required to be collected by or paid by us or our affiliates on account of products or services we or our affiliates furnish to you or arrange to furnish to you, through sale, lease or otherwise, or on account of our or our affiliates' collection of any fee related to this Agreement (including products and services you purchase in connection with the Franchised Business); (ii) all franchise or like taxes, whether based on gross receipts, gross revenues, royalty fees, contributions to the Fund, or otherwise imposed on, required to be collected by or paid by us or our affiliates; and (iii) all other amounts we or our affiliates pay or must pay for you for any reason.

20.2 In the event of any bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event will you permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the Franchised Business, or any products, supplies or equipment related to the Franchised Business.

20.3 You must comply with all federal, state and local laws, rules and regulations, and, in a timely fashion, you must obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business, including licenses to do business, fictitious name registrations, sales tax permits and fire clearances.

## 21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 You are an independent contractor. We and you are completely separate entities and are not fiduciaries, partners, joint venturers or agents of the other in any sense and neither will have the power to bind the other. No act or assistance given by either party to the other pursuant to this Agreement will be construed to alter the relationship. You will be solely responsible for compliance with all federal, state and local laws, rules and regulations, and for your policies, practices and decisions relating to the operation of the Franchised Business. No employee of yours will be deemed an employee of ours.

21.2 During the Term, you must hold yourself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from us. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in a conspicuous place at the Franchised Business.

21.3 You expressly agree and acknowledge that we do not make any representations or warranties concerning any products in the Mighty Product Line and that we are not obligated to reimburse you for any defective products that you purchase from us or suppliers beyond the extent to which we obtain reimbursement from the manufacturers of any such defective products, and you agree to hold us harmless from all costs and loss in excess of any amount so reimbursed. We will cooperate with you to enable you to recover under all available manufacturer warranties and product liability insurance.

21.4 Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name; and we will in no event assume liability for, or be liable under this Agreement as a result of, any such action; nor will we be liable for any act or omission of yours in your operation of the Franchised Business or for any claim or judgment arising against you or us. You must indemnify and hold us and our affiliates, and the officers, directors, employees, agents, attorneys and shareholders of ours and our affiliates (the “Indemnitees”) harmless against any and all causes of action, claims, proceedings, losses, costs, expenses, liabilities, litigation, damages or other expenses (including settlement costs and attorneys’ fees) arising directly or indirectly from, in connection with the operation of the Franchised Business or your conduct under this Agreement, including those alleged to be caused by the Indemnitees’ negligence, unless (and then only to the extent that) the claims, obligations or damages are determined to be caused solely by the Indemnitees’ gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. You agree that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees will have the right to: (i) choose counsel; (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the Indemnitees, and/or you, any claim against the Indemnitees in their sole discretion. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee will be taken as prima facie evidence of your obligation under this Agreement.

## 22. ACCEPTANCES, APPROVALS AND WAIVERS

22.1 Whenever this Agreement requires our prior authorization, approval or consent, you must make a timely written request to us and our acceptance, approval or consent must be obtained in writing. Failure by us to provide acceptance, approval or consent in writing will constitute a denial of the same.

22.2 We make no warranties or guarantees upon which you may rely, and we assume no liability or obligation to you, by providing any waiver, acceptance, approval, consent or suggestion to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request.

22.3 We will have the right to operate, develop and change the Mighty System in any manner that is not specifically precluded by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, except as otherwise expressly and specifically provided in this Agreement, we may make our decision or exercise our rights, on the basis of the information readily available to us, and our judgment of what is in our best interests, Mighty System franchisees generally or the Mighty System, at the time our decision is made, without regard to whether: (i) other reasonable or even arguably preferable alternative decisions could have been made by us; (ii) the decision or action of ours will promote our financial or other individual interest; (iii) our decision or the action we take applies differently to you and one or more other Mighty System franchisees or our company-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, we and you agree that such covenant will not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your rights and obligations under this Agreement.

22.4 No failure of ours to exercise any power reserved to us by this Agreement, or to insist upon strict compliance by you with any obligation or condition under this Agreement, and no custom or practice of the parties at variance with the terms of this Agreement, including any practice or action of ours in our dealing with any other party, shall constitute a waiver of our right to demand exact compliance with any of the terms of this Agreement.

23. WARRANTIES OF FRANCHISEE

23.1 We entered into this Agreement in reliance upon the statements and information submitted to us by you in connection with this Agreement. You represent and warrant that all such statements and information submitted by you in connection with this Agreement are true, correct and complete in all material respects. You agree to promptly advise us of any material changes in the information or statements submitted.

23.2 You represent and warrant to us that neither you (including any and all of your employees, officers, directors, shareholders, members, other representatives and other holders of a direct or indirect ownership interest in you or the Franchised Business), nor any of your affiliates or the funding sources for either (a) are a person or entity designated with whom we, or any of our affiliates, are prohibited by law from transacting business, (b) are, have been or will be listed on any Government Lists (as defined below), (c) are, have been or will be determined by competent authority to be subject to the prohibitions contained in Presidential Executive Order No. 133224 (Sept. 23, 2001), or any other similar prohibitions contained in the rules and regulations of OFAC (as defined below) or in any enabling legislation or other Presidential Executive Orders in respect thereof, (d) have been or will be indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any offenses under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "**USA Patriot Act**"), (e) are, have been or will be under investigation by any Governmental Authority for alleged criminal activity, or (f) have or have had a reputation in the community for criminal or unethical behavior. For purposes of this provision, the following definitions apply:

23.2.1 "**Government Lists**" means any of the following lists: (a) the "Specially Designated Nationals and Blocked Persons List" maintained by OFAC, (b) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC or (c) any similar list maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America; and

23.2.2 "**OFAC**" means the Office of Foreign Assets Control, United States Department of the Treasury or any other office, agency or department that succeeds to the duties of OFAC.

The foregoing representation, warranty and certification will continue in full force and effect during the Term.

24. NOTICES

Any and all notices required or permitted under this Agreement will be in writing and will be either personally delivered, mailed by certified mail, return receipt requested or dispatched for overnight delivery by a nationally recognized delivery service, to the respective parties. Notices to you will be addressed to you at your address listed in Exhibit A. Notices to us must be addressed to us at our address listed in the first page of this Agreement, Attention: President. Each party will have the right to designate any other address for notices under this Agreement by giving written notice to the other party in the foregoing manner, and in such event all notices to be mailed after receipt of such notice will be sent to the designated new address. Notices will be deemed to have been received as follows: by personal delivery -- at the time of delivery; by overnight delivery service -- on the next business day following the date on which the Notice was given to the overnight delivery service; and certified mail-3 days after the date of mailing.

25. ENTIRE AGREEMENT

This Agreement and the exhibits and the documents referred to in this Agreement constitute the entire Agreement between us and you concerning the subject matter of this Agreement, and supersede any prior agreements, no other representations having induced you to execute this Agreement. Except

for those permitted to be made unilaterally by us under this Agreement, no amendment, change or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement will disclaim or require you to waive reliance on any representation that we made in the most recent franchise disclosure document (including its exhibits and amendments) ("FDD") that we delivered to you or your representative, subject to any agreed-upon changes to the contract terms and conditions described in that FDD and reflected in this Agreement (including any riders or addenda signed at the same time as this Agreement). If an amendment to this Agreement is executed at our request, we will pay any legal fees or costs of preparation of the amendment. If an amendment of this Agreement is executed at your request, any legal fees or costs of preparation in connection therewith will, at our option, be paid by us.

## 26. SEVERABILITY AND CONSTRUCTION

26.1 If, for any reason, any section, part, term, provision and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions and/or covenants of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and the invalid portions, sections, parts, terms, provisions and/or covenants will be deemed not to be a part of this Agreement. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to effectuate fully the provisions of this Section 26.

26.2 Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination) or assignment will survive such expiration, termination or assignment, including Sections 11, 17, 18, 21.4 and 27 of this Agreement.

26.3 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, us, officers, directors, shareholders, agents and employees of ours, and such successors and assigns of ours as may be contemplated by Section 15 above, any rights or remedies under or by reason of this Agreement.

26.4 You expressly agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

26.5 All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision of the Agreement. The word "including" will be construed to include the words "but not limited to." The term "you" is applicable to one or more persons, an entity and your owners, as the case may be. Reference to a "controlling" interest in an entity will mean more than 50% of the equity or voting control of such entity.

26.6 This Agreement may be executed in any number of counterparts, each of which when so executed and delivered, will be deemed an original, but such counterparts together will constitute one and the same instrument.

## 27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 You and we both agree that it is in our and your best interest to resolve disputes in an orderly fashion and in a consistent manner and, accordingly we and you agree to the provisions of this Section 27 to accomplish such purpose. The parties will attempt to resolve any claim, controversy or dispute ("**Dispute**") between us and our affiliates, and us and our affiliates' respective shareholders, officers, directors, agents and/or employees, and you (and/or your owners (including the Principal Owners), shareholders, officers, guarantors, affiliates and/or employees) arising out of or related to:

- (1) this Agreement (including any guaranty provision or guaranty agreement) or any other agreement between you and us;
- (2) our relationship with you;
- (3) the scope and validity of this Agreement or any other agreement between you and us or any provision of such agreements (including the validity and scope of the arbitration obligations under this Section 27.1, which the parties acknowledge is to be determined by an arbitrator and not a court); or
- (4) any system standard;

by negotiation. The parties may by mutual agreement submit the matter to mediation. If such Dispute is not resolved within 30 days after one party notifies the other in writing of a Dispute or such additional time as the parties may mutually agree in writing, either party may file a request for arbitration of the Dispute ("**Request for Arbitration**") to the American Arbitration Association ("**AAA**"). The parties agree that except as specifically noted herein, all Disputes not resolved by mediation or negotiation of the parties shall be subject to mandatory arbitration, as described herein. Arbitration must be initiated and conducted before a panel of three neutral arbitrators in metropolitan Atlanta, Georgia in accordance with the rules of arbitration of the AAA; provided, however, in the event of any conflict between this Section 27 and the rules of arbitration of the AAA, the terms of this Section 27 will control. Both parties will each appoint one arbitrator, and the 2 arbitrators so appointed will appoint a third arbitrator to act as chairman of the arbitral panel. If a party fails to nominate an arbitrator within 30 days from the date of the claimant's request for arbitration, such appointment will be made by the AAA. The 2 arbitrators thus appointed must attempt to agree upon the third arbitrator to act as chairman. If the 2 arbitrators fail to nominate the chairman within 30 days from the date of the appointment of the second arbitrator, the chairman must be appointed by the AAA. If for any reason an arbitrator withdraws or is otherwise unable to serve as an arbitrator, a replacement arbitrator must be selected in accordance with the procedure described above. All proceedings will be conducted at a suitable location chosen by the chairman in the Atlanta, Georgia metropolitan area. All matters relating to arbitration will be governed by the federal arbitration act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrators' award may be entered in any court of competent jurisdiction and in the absence of fraud or gross impropriety on the part of any of the arbitrators, both parties waive any right to contest, and hereby agree not to contest, the validity or enforceability of such award.

The decision and award of the arbitrators will be conclusive and binding upon all parties and judgment upon the award, including any partial, temporary or interim award may be entered in any court of competent jurisdiction. The arbitrators must base their decision and award on the terms and conditions of this Agreement and the law applicable thereto, and their decision and award must contain findings of fact and conclusions of law. The arbitrators have the right to award, or include in their award, any relief which they deem proper, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, provided that the arbitrators may not declare any Proprietary Mark generic or otherwise invalid or, except as expressly provided in Section 27.4 below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 27.4 below, any right to or claim for any punitive or exemplary damages against the other). The parties agree that the arbitrators may

award interest from the date of any damages incurred for breach or other violation of this Agreement, until paid in full, at a rate to be fixed by the arbitrators, but in no event less than 2% per annum above the prime rate quoted for the corresponding periods, as reported in The Wall Street Journal, New York Edition, as the rate in the Franchise Territory, or the maximum rate permitted by applicable law, whichever is less. The costs and expenses of arbitration will be borne 50% by us and 50% by you. The arbitrators must not extend, modify or suspend any of the terms of this Agreement or the reasonable standards of business performance and operation established by us. We have the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with Section 27.6 below.

We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrators may not consider any settlement discussions or offers that might have been made by either you or us.

We and you agree that arbitration will be conducted on an individual, not a class wide, basis and that an arbitration proceeding between us and our affiliates, and us and our affiliates' respective shareholders, officers, directors, agents and/or employees, and you (and/or your owners (including Principal Owners), shareholders, officers, guarantors, affiliates and/or employees) may not be consolidated with any other arbitration proceeding between us and any other person. Notwithstanding the foregoing or anything to the contrary in this Section 27.1 or Section 26 above, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 27.1, then the parties agree that this arbitration clause will not apply to that dispute and that such dispute will be resolved in a judicial proceeding in accordance with this Section 27 (excluding this Section 27.1).

Notwithstanding our and your agreement to arbitrate, the parties agree that any Dispute arising out of your alleged non-payment of Recurring Fees described in Section 4 above, Product Purchases or any other payments alleged to be owed by you to us or our affiliates shall not be subject to arbitration but shall be resolved through litigation, initiated and maintained only in the State or Superior Courts located in Gwinnett County Georgia or in the United States District Court for the Northern District of Georgia. In addition, the parties agree we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction. This includes our and our designee's right to obtain, without bond, declarations, temporary and permanent injunctions, and orders of specific performance, in order to enforce (i) the provisions of this Agreement relating to your use of the Proprietary Marks and (ii) your obligations upon termination or expiration of this Agreement, or assignment of the ownership interests in you, and to prohibit any act or omission by you or your employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the Mighty System, which constitutes a danger to other franchisees, employees, customers or the public or which may impair the goodwill associated with the Proprietary Marks. A notice of, or request for, arbitration will not operate to stay, postpone or rescind the effectiveness of any demand for performance or notice of termination.

The provisions of this Section 27 are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

27.2 ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). EXCEPT TO THE EXTENT GOVERNED BY THE FEDERAL ARBITRATION ACT, THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.), OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP

BETWEEN US AND YOU WILL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA, WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES; PROVIDED, HOWEVER, (1) ANY GEORGIA LAW REGULATING THE SALE OF FRANCHISES OR GOVERNING THE RELATIONSHIP OF A FRANCHISOR AND ITS FRANCHISEE WILL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS SECTION 27 AND (2) THE LAWS OF THE STATE IN WHICH THE FRANCHISED BUSINESS IS LOCATED WILL APPLY TO THE CONSTRUCTION AND ENFORCEMENT OF THE OBLIGATIONS IN SECTIONS 18.2, 18.3 and 18.5 ABOVE, WITHOUT REGARD TO ITS CONFLICTS OF LAWS. THIS AGREEMENT HAS BEEN ACCEPTED BY US IN GEORGIA.

27.3 SUBJECT TO SECTION 27.1 ABOVE AND THE PROVISIONS BELOW, YOU AND YOUR OWNERS AGREE THAT ALL ACTIONS ARISING UNDER THIS AGREEMENT OR OTHERWISE AS A RESULT OF THE RELATIONSHIP BETWEEN YOU AND US MUST BE COMMENCED ONLY IN THE STATE OR SUPERIOR COURT IN GWINNETT COUNTY, GEORGIA OR THE UNITED DISTRICT COURT FOR THE NORTHERN DISTRICT OF GEORGIA, AND YOU (AND EACH OWNER) IRREVOCABLY SUBMIT TO THE JURISDICTION OF THOSE COURTS AND WAIVE ANY OBJECTION YOU (OR THE OWNER) MIGHT HAVE TO EITHER THE JURISDICTION OF OR VENUE IN THOSE COURTS. NONETHELESS, YOU AND YOUR OWNERS AGREE THAT WE MAY ENFORCE THIS AGREEMENT AND ANY ARBITRATION ORDERS AND AWARDS IN THE COURTS OF THE STATE OR STATES IN WHICH YOU ARE DOMICILED OR THE FRANCHISED BUSINESS IS LOCATED.

27.4 EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 21.4 ABOVE, EXCEPT FOR YOUR BREACH OF THE PROVISIONS IN SECTION 11 ABOVE AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, WE AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER US OR YOU.

27.5 Except for claims arising from your nonpayment or underpayment of amounts you owe us or our affiliates (including taxes owed), any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within 18 months from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

27.6 If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including reasonable accounting, attorneys', arbitrators' and related fees. All attorneys' fees that either party may be entitled to under this Agreement will not be subject to any statutory floor or ceiling or calculated pursuant to any statutory percentage.

## 28. ACKNOWLEDGMENTS

28.1 You acknowledge that you have conducted an independent investigation of the business of operating a Mighty Business and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of you (or, if you are an entity, the ability of your principals) as an independent businessperson(s), his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product and quality of services provided, as well as other factors. We expressly disclaim the making of, and you acknowledge that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture

contemplated by this Agreement. You also acknowledge that we have not given any representation, promise or guarantee of your success in the Franchise Territory or the suitability of the Franchise Territory as a successful location for your Franchised Business. You acknowledge that our approval of your Franchise Territory does not constitute recommendation or endorsement of the Franchise Territory, nor any assurance by us that the operation of a Franchised Business in the Franchise Territory will be successful or profitable. You will be solely responsible for your own success in the Franchise Territory.

28.2 You acknowledge that you received a copy of this Agreement, the exhibits(s) hereto and agreements relating hereto (if any), as well as a copy of the FDD, at such time(s) as required by applicable federal and state franchise laws and regulations.

28.3 You acknowledge that you have read and understood the FDD, this Agreement, the exhibits hereto and agreements relating thereto (if any) and that we have given you ample time and opportunity to consult with your attorneys, accountants and other advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You, together with your advisors, have sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchised Business. You acknowledge that you have no knowledge of any representations by us (or anyone purporting to represent or act on our behalf) or our officers, directors, shareholders, employees, agents or servants, about the business contemplated by this Agreement that are contrary to the disclosures and information in the FDD or contrary to the terms of this Agreement.

28.4 You acknowledge that you are aware of the fact that other present or future franchisees of ours may operate under different forms of agreement(s) and consequently that our obligations and rights with respect to our various franchisees may differ materially in certain circumstances.

28.5 In consideration of our agreement to enter into this Agreement, you, for yourself and if you are an entity for your directors, officers, shareholders, members, employees, agents and attorneys, and for your affiliates and their directors, officers shareholders, partners, members, employees, agents and attorneys, and for the successors and assigns of any of them, hereby:

28.5.1 Release and forever discharge us and our parents, subsidiaries and affiliates and the respective current and former officers, directors, owners, stockholders, employees, agents, representatives, attorneys, contractors, legal successors and assigns of each of the forgoing entities (in their corporate and individual capacities), of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, agreements, controversies, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or in equity ("**Claims and Demands**"), that you and/or your officers, directors, stockholders, agents, heirs, executors, administrators, legal successors and assigns, ever had, now has or that they hereafter can or may have for, on or by reason of any matter, cause or thing whatsoever, before the Effective Date, including claims arising under federal, state and local laws, rules and ordinances; and

28.5.2 Agree that none of them will institute any litigation or other legal action or proceeding, at law or in equity, against us, our parents, subsidiaries and affiliates, and the respective current and former officers, directors, owners, stockholders, employees, agents, representatives, attorneys, contractors legal successors and assigns of each of the foregoing entities (in their corporate and individual capacities), directly or indirectly, relating to any Claims and Demands released under this Section 28.5; provided, however, that this release and covenant not to sue will not apply to any claim that arises under any applicable federal and state franchise laws, except to the extent that such claims may by law be released by this Agreement.



You must take whatever actions are necessary or appropriate to carry out the terms of this release and covenant not to sue upon our request. This Section 28.5 will survive the expiration or termination of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate which will be effective on the Effective Date.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
CALIFORNIA FRANCHISE INVESTMENT LAW

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a Mighty franchise in the State of California:

1. If any of the provisions of the Franchise Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

2. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

3. 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, California Business and Professions Code Section 20025(b)(2).

4. The Agreement requires binding arbitration. The arbitration will occur in Atlanta, Georgia with the costs being borne 50% by us and 50% by you. 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.

5. The Agreement requires that it be governed by Georgia law. This requirement may be unenforceable under California law.

6. The provision of Section 27.4 of the Franchise Agreement waiving punitive damages, exemplary damages and jury trial may not be enforceable under California law.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**CALIFORNIA ADDENDUM**

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
HAWAII FRANCHISE INVESTMENT LAW

The following provisions will apply to Mighty franchises offered or sold to a resident of the State of Hawaii:

1. The general indemnity language contained in the Franchise Agreement will not relieve us or any other person, directly or indirectly, from liability imposed by the laws concerning franchising in the State of Hawaii.

2. Hawaii Revised Statutes, Section 482E-1, provides rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**HAWAII ADDENDUM**

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
ILLINOIS FRANCHISE DISCLOSURE ACT

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a Mighty franchise in the State of Illinois:

1. The terms and conditions under which the Franchise Agreement can be terminated and your rights upon non-renewal may be affected by Illinois law, Illinois Compiled Statutes 1992, Chapter 815, Sections 705/19 and 705/20.

2. As provided in Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision claiming to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act is void.

3. Section 200.608 of the Illinois Franchise Disclosure Act provides that a franchise agreement may not "provide for a choice of law provision for any state other than Illinois." If there is any conflict between Section 200.608 and the Franchise Agreement, Section 200.608 will control.

4. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois. If there is any conflict between the Franchise Agreement and Section 4 of the Illinois Act, Section 4 shall control.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
INDIANA DECEPTIVE FRANCHISE PRACTICES LAW**

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a Mighty franchise in the State of Indiana:

1. In accordance with Indiana Code 23-2-2.7-1(10), which restricts or prohibits the imposition of liquidated damages provisions in the Franchise Agreement and also prohibits provisions in the Franchise Agreement which bind the franchisee to pay fees, expenses and costs of litigation, certain provisions of the Franchise Agreement, specifically the injunctive relief provision, are not enforceable under Indiana law.
2. In accordance with Indiana Code 23-2-2.7-1(2), which prohibits us from operating a substantially identical business to your franchise within the your Franchise Territory, Section 1.5 of the Franchise Agreement is amended by striking the last sentence.
3. Indiana Code 23-2-2.7-2(3) provides that it will be unlawful for any Franchisor to deny the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in the ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving spouse, heirs, or estate maintains all standards and obligations of the franchise. If certain provisions of the Franchise Agreement are inconsistent with the terms of the Indiana Code, in Indiana the terms of the Indiana Code will control.
4. Under Section 21.4 of the Franchise Agreement, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures and materials which we required, if such procedures were utilized by you in the manner required by us.
5. Section 27.1 (4) of the Franchise Agreement is amended by striking the second sentence and inserting the following language:

"This includes our and our designee's right to obtain, without bond (as allowed by Indiana Law), declarations, temporary and permanent injunctions, and orders of specific performance, in order to enforce (i) the provisions of this Agreement relating to your use of the Proprietary Marks and (ii) your obligations upon termination or expiration of this Agreement, or assignment of the ownership interests in you, and to prohibit any act or omission by you or your employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the Mighty System, which constitutes a danger to other franchisees, employees, customers or the public or which may impair the goodwill associated with the Proprietary Marks."
6. Indiana Code 23-2-2.7-1(10) provides that it will be unlawful for any franchise agreement to limit litigation brought for breach of the agreement in any manner whatsoever. If any provisions of the Franchise Agreement are inconsistent with the terms of the Indiana Code, in Indiana the terms of the Indiana Code will control.
7. Section 28.3 of the Franchise Agreement is amended by striking the last sentence which is unenforceable in the state of Indiana.
8. Indiana Code 23-2-2.7-1(5) provides that it will be unlawful to require a franchisee prospectively to assent to release, assignment, novation, waiver, or estoppel that purports to relieve any person from liability to be imposed by this provision. If any provisions of the Franchise Agreement are inconsistent with this provision of the Indiana Code, in Indiana the terms of the Indiana Code will control.

**INDIANA ADDENDUM**

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

## INDIANA ADDENDUM

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a Mighty franchise in the State of Maryland:

1. The general release language required as a condition of renewal, sale and/or assignment or transfer will apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.)

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

4. You may bring a lawsuit in Maryland for claims arising under Maryland Franchise Registration and Disclosure Law.

5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**MARYLAND ADDENDUM**

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
MINNESOTA FRANCHISE INVESTMENT ACT

The following provisions will apply to Mighty franchises operating in the State of Minnesota:

1. Minn. Rule Part 2860.4400D prohibits us from requiring you to sign a general release of claims.
2. Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
3. With respect to franchises governed by Minnesota Law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3-5 which require (except in certain specified cases) (1) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**MINNESOTA ADDENDUM**



ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
NEW YORK GENERAL BUSINESS LAW - ARTICLE 33

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating a Mighty franchise in the State of New York:

1. New York General Business Law, Article 33, Sections 687.4 and 687.5 provide that the Franchise Agreement may not contain any condition, stipulation, or provision claiming to bind any person acquiring any franchise to waive compliance with any provision of this law, or rule, and that franchisees may not be required to assent to a release, assignment, novation, waiver or estoppel which would relieve a person from any duty or liability imposed by this article. If the Franchise Agreement is inconsistent with this law, New York law will control.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**NEW YORK ADDENDUM**

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
NORTH DAKOTA FRANCHISE INVESTMENT LAW

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a Mighty franchise in the State of North Dakota:

1. The Franchise Agreement shall be amended by the addition of the following Section 27.7:

27.7 The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

- A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.
- B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.
- C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
- D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
- E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.
- F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.
- G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.
- H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

**NORTH DAKOTA ADDENDUM**

2. This Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code, §§ 51-19-01 through 51-19-17, are met independently without reference to this Addendum.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

## NORTH DAKOTA ADDENDUM

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
RHODE ISLAND FRANCHISE INVESTMENT ACT

The following provisions will apply to Mighty franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a Mighty franchise in the State of Rhode Island:

1. Sec. 19-28.1-14 of the Rhode Island Franchise Investment Act provides that a provision in the 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.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**RHODE ISLAND ADDENDUM**

ADDENDUM TO  
FRANCHISE AGREEMENT WITH  
MDSA, LLC  
UNDER THE  
VIRGINIA RETAIL FRANCHISING ACT

The following provisions will apply to Mighty franchises operating in the State of Virginia:

1. Virginia Code Section 13.1-564 provides that it shall be unlawful for a franchisor to cancel a franchise agreement without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to it by any provision contained in the Franchise Agreement.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

**VIRGINIA ADDENDUM**

## WASHINGTON FRANCHISE AGREEMENT ADDENDUM

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

RCW 19.100.180 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.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder 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, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchise, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

## WASHINGTON ADDENDUM

The undersigned does hereby acknowledge receipt of this addendum.

Entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
You (Print name of Franchisee)

By: \_\_\_\_\_  
(signature)

Name: \_\_\_\_\_  
(print name of signatory)

Title: \_\_\_\_\_  
(print title of signatory)

**MDSA, LLC**

We

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

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

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

## WASHINGTON ADDENDUM

## GUARANTEE

As an inducement to MDSA, LLC (hereinafter "Us" or "We") to enter into the foregoing Franchise Agreement with \_\_\_\_\_ "Franchisee") dated \_\_\_\_\_ (hereinafter referred to as the Franchise Agreement") the undersigned, jointly and severally, hereby unconditionally guarantee to us and our successors and assigns that all of the Franchisee's obligations under the Franchise Agreement will be punctually paid and performed in a timely manner. The undersigned further guaranty the full payment and performance of all obligations of the Franchisee to us under the franchise relationship with us, whether embodied in the Franchise Agreement or otherwise. Further, the undersigned, individually, jointly and severally, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement as though each of the undersigned were the franchisee, including the dispute resolution provisions, restrictive covenants and non-disclosure provisions, and any amendments, extension or other modification to the Franchise Agreement.

Upon demand by us, the undersigned will immediately make each contribution or payment required of you under the Franchise Agreement. The undersigned hereby waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against each other arising as a result of the undersigned's execution of and performance under this guarantee provision, for the express purpose that none of the undersigned will be deemed a "creditor" of any other guarantor under any applicable bankruptcy law with respect to your obligations to us; (ii) all rights to require us to proceed against the Franchisee or any other guarantor for any payment required under this Agreement, proceed against or exhaust any security from the Franchisee or any other guarantor, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this guarantee provision or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against the undersigned; (iii) any benefit of, any right to participate in, any security now or hereafter held by us; and (iv) acceptance and notice of acceptance by us of the undersigned's undertakings under this guarantee provision, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which the undersigned may be entitled. We will have no present or future duty or obligation to the undersigned under this guarantee, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning the Franchisee, any other guarantor or any collateral securing any obligations of the Franchisee to us. Without affecting the obligations of the undersigned under this guarantee provision, we may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with or release all or any provisions of the Franchise Agreement or any indebtedness or obligation of the Franchisee, or settle, adjust, release or compromise any claims against the Franchisee or any other guarantor, make advances for the purpose of performing any obligations of the Franchisee under the Franchise Agreement, assign the Franchise Agreement or the right to receive any sum payable under the Franchise Agreement, and the undersigned each hereby jointly and severally waive notice of same and agree to be bound by any and all amendments and changes to the Agreement, including any extensions or renewals of the Franchise Agreement, including renewals effected by the execution of a replacement Franchise Agreement, which the undersigned hereby specifically guarantees. The undersigned expressly acknowledge that the obligations under this guarantee provision survive the expiration or termination of the Franchise Agreement.

The undersigned hereby agrees to defend, indemnify and hold us harmless against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees, reasonable costs of investigation, court costs and arbitration fees and expenses) ("**Claims**") resulting from, consisting of or arising out of or in connection with any failure by the Franchisee, its, owners, officers, directors, agents or employees to perform any obligation under the Franchise Agreement, any amendment thereto or any other agreement executed by Franchisee arising out of the franchise relationship between us and the Franchisee.

Guarantor represents and warrants to us that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding



sources for either, is a person or entity designated with whom we, or any of our affiliates, are prohibited by law from transacting business.

This guarantee will terminate upon the termination or expiration of the Franchise Agreement (unless, upon expiration of the scheduled term of the Franchise Agreement a new Franchise Agreement is signed for an extended term), except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such expiration or termination will remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Franchise Agreement will remain in force according to their terms. Upon the death of any undersigned, the estate of such individual guarantor will be bound by this guarantee, but only for defaults and obligations under this guarantee existing at the time of death; and the obligations of the other undersigned guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this guarantee will have the same meaning as in the Franchise Agreement and will be interpreted and construed in accordance with Section 27 of the Franchise Agreement. This guarantee will be interpreted and construed under the laws of the State of Georgia. In the event of any conflict of law, the laws of Georgia will prevail, without regard to, and without giving effect to, the application of the State of Georgia conflict of law rules. Nothing in this guarantee is intended by the parties to subject this guarantee to any franchise or similar law, rule or regulation of the State of Georgia or of any other state to which it would not otherwise be subject.

**WAIVER OF JURY TRIAL:** WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO ANY CLAIM, INCLUDING ANY COUNTERCLAIMS, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU OR US AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

**WAIVER OF PUNITIVE AND EXEMPLARY DAMAGES:** WE AND YOU HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, EACH WILL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

Any and all notices required or permitted under this guarantee will be in writing and will be personally delivered in the manner provided under Section 24 of the Franchise Agreement.

IN WITNESS WHEREOF, the undersigned has signed this guarantee as of the Effective Date of the Franchise Agreement.

GUARANTOR(S)

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**Exhibit A**  
**to**  
**MIGHTY® Franchise Agreement**

**OPTION FOR RECURRING FEES AND FRANCHISEE INFORMATION**

1. We have agreed on the following option for payment of the Recurring Fees:
- ☐ the Recurring Fees shown under Option A of Section 4.2 of this Franchise Agreement (5% of Gross Volume of Business with minimum charge up to \$1,000 per month); or
- ☐ the Recurring Fees shown under Option B of Section 4.2 of this Franchise Agreement (8.3% of the Gross Product Purchases with minimum charge up to \$1,000 per month).

You shall pay the Recurring Fees under the option that is checked above.

2. Acknowledgment Regarding Controlling Individuals. You hereby acknowledges that you are a(n) (check one):

\_\_\_\_\_ 'C' corporation  
\_\_\_\_\_ 'S' corporation  
\_\_\_\_\_ individual  
\_\_\_\_\_ limited liability company  
\_\_\_\_\_ professional corporation  
\_\_\_\_\_ other business form \_\_\_\_\_ (describe)

You hereby warrant and represent that the following individuals own, either legally or beneficially, voting control of you:

| <u>NAME</u> | <u>TYPE OF OWNERSHIP (LEGAL OR BENEFICIAL)</u> | <u>PERCENTAGE OF INTEREST OWNED</u> |
|-------------|------------------------------------------------|-------------------------------------|
| _____       | _____                                          | _____                               |
| _____       | _____                                          | _____                               |
| _____       | _____                                          | _____                               |

3. Location of your Principal Place of Business.

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

4. Your Designated Owner.

You hereby acknowledge that we are relying on these representations as a material basis for entering into this Franchise Agreement and that the information above is true and correct.

Date: \_\_\_\_\_

**YOU:** (if corporation)

\_\_\_\_\_

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

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

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

**YOU:** (if individual)

\_\_\_\_\_

**Exhibit B**  
**to**  
**MIGHTY® Franchise Agreement**  
**YOUR AFFILIATED ENTITIES**

1. Your Affiliated Entities:

**Your Initials:** \_\_\_\_\_

**Our Initials:** \_\_\_\_\_

**Exhibit C**  
**to**  
**MIGHTY® Franchise Agreement**  
**FRANCHISE TERRITORY**

**Franchise Territory:**

**Your Initials:** \_\_\_\_\_

**Our Initials:** \_\_\_\_\_

**Exhibit D**  
**to**  
**MIGHTY® Franchise Agreement**

FEE SCHEDULE

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INITIAL FRANCHISE FEE

There will be an Initial Franchise Fee payable by you to us consisting of two components, with the license fee component based on the number of registered vehicles in the Franchise Territory, as follows:

Training and Setup Fee: \$7,500

License Fee: \$0.035 per registered vehicle

We generally will not license a franchise territory containing fewer than 500,000 registered vehicles and if we do license a franchise territory containing more than 1,000,000 registered vehicles, the license fee will be capped at \$75,000, and will never be less than \$10,000. The license fee for a Franchise Territory containing, for example, 500,000 vehicles is \$17,500, and the total Initial Franchise Fee is \$25,000 (\$7,500 Training and Setup Fee and \$17,500 License Fee). We have the right to annually adjust any or all of the two components of the Initial Franchise Fee. The number of registered vehicles in the Franchise Territory will be calculated using the most current data from Devonshire Marketing Information Management, its successor or a similar substitute publication, and will be adjusted annually on January 1 of each year.

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ASSOCIATION INITIATION FEE

The Association Initiation Fee is \$\_\_\_\_\_ for automatic initial membership in the Mighty Franchisee's Association.

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RENEWAL FEE

There will be a Renewal Fee payable by you to us based on the number of registered vehicles in the Franchise Territory as follows:

\$2,500– for Franchise Territories with less than 1 million registered vehicles in the Franchise Territory

\$5,000– for Franchise Territories with 1 million to 2 million registered vehicles in the Franchise Territory

\$7,500– for Franchise Territories with over 2 million registered vehicles in the Franchise Territory

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TRANSFER FEE FOR STANDARD TRANSFERS

Except as provided in Section 15.6.3 of this Agreement for Transfers to Immediate Family Members and Mighty System franchisees, the Transfer Fee will consist of two components, with the license fee component based on the number of registered vehicles in the Franchise Territory, as follows:

Training and Setup Fee: \$7,500

License Fee: 50% of the then current Initial Franchise Fee – currently \$0.0175 per registered vehicles in the Franchise Territory (The fee will be capped at \$37,500 but no less than \$10,000).

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#### TRANSFER FEE FOR TRANSFERS TO IMMEDIATE FAMILY MEMBER

For Transfers to your Immediate Family Members or, if you are an entity, to the Immediate Family Members of the shareholder(s) or members holding at least a majority of the equity and voting interest in you, you must pay a Transfer Fee equal to the greater of (i) 25% of the then-current Initial Franchise Fee license fee component or (ii) \$2,000. If the proposed transferee is an Immediate Family Member, we may waive the standard training/administration fee required for standard Transfers.

---

#### TERRITORY EXPANSION FEE AND TRANSFER FEE FOR TRANSFERS TO MIGHTY SYSTEM FRANCHISEES

The Initial Franchise Fee license fee component (for the licensing of unlicensed territory) or Transfer Fee license component (for the transfer of territory from one franchisee to another) will be discounted on a pro-rata basis determined by the length of time remaining on the term of your Franchise Agreement in relation to the standard 10-year term. In no event will the applicable license component be pro-rated less than 50% of the required fee for territory licensing. If the proposed transferee is a Mighty System franchisee who is in good standing and approved to license additional territory, we may waive the training and setup fee required for standard Transfers; however, a \$2,000 Administrative Fee is payable in full upon execution of an Amendment to the Franchise Agreement to add the additional territory to the Franchise Territory.

**Exhibit E**  
**to**  
**MIGHTY® Franchise Agreement**

**MINIMUM PERFORMANCE STANDARDS**

Your Gross Volume of Business in the Franchise Territory for each calendar year must equal or exceed the minimum standard for sales performance calculated in the manner set forth below ("**Minimum Performance Standard**"). The Minimum Performance Standard will be applied to you beginning on January 1 of the first full calendar year of operation of the Franchised Business ("**Year 1**") and each January 1 thereafter.

In the event that you own or control Affiliated Entities outside of the Franchise Territory, then sales to those Affiliated Entities are excluded from your Gross Volume of Business for purposes of determining if you met or exceeded the Minimum Performance Standard.

---

**CALCULATION OF SYSTEM STANDARD**

On April 1 of each calendar year, we will publish the System Standard for the Mighty franchise system ("**System Standard**"). The System Standard will be calculated using (i) the total Gross Volume of Business reported in the previous calendar year by all Mighty franchisees who were in operation for the entire year ("**System Sales**")\* and (ii) the total number of registered vehicles in all Mighty franchise territories which were in operation for the entire year ("**System Vehicles**"). The System Sales will be divided by the System Vehicles to determine the system ( "**Market Penetration**"). The Market Penetration will then be multiplied by a percentage adjustment designated by us ("**Percentage Adjustment**"), and this product will become the System Standard for such year. The current Percentage Adjustment is 0.90. Each franchisee's individual Minimum Performance Standard will be determined by multiplying the System Standard by the number of registered vehicles in that franchisee's Franchise Territory. The number of registered vehicles in each Franchise Territory will be adjusted annually as of January 1 of each year using the most current data from Devonshire Marketing Information Management, its successor or a similar substitute publication.

We have the right to unilaterally reduce the Percentage Adjustment for any year so long as such reduction is for your benefit. We may increase the Percentage Adjustment for any year; provided that such increase will not result in a System Standard higher than the System Standard for any of the immediately preceding 3 years.

The System Standard for 2020 was \$0.73 per vehicle, calculated as follows:

|                          |               |
|--------------------------|---------------|
| *System Sales:           | \$123,290,837 |
| System Vehicles: ÷       | 153,044,153   |
| Market Penetration:      | \$0.81        |
| Percentage Adjustment: x | 0.90 **       |

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\* System Sales will not include sales reported for any unassigned territories or sales reported by company-owned operations.

\*\* The current Percentage Adjustment established by us is 90%. While this figure might suggest that as many as 45% of our franchisees will not meet the System Standard, this is actually not the case. We instituted a new form of Franchise Agreement in 1991, and existing franchisees who executed the new agreement were given the option of retaining the minimum performance standard contained in their former agreements. As a result, the majority of franchisees are currently under these "grandfathered" minimum performance standards, which are lower than the Minimum Performance Standard required under new forms of the Franchise Agreement. We anticipate that franchisees who are "grandfathered" will gradually leave the system through sales or transfers, or execute new agreements, requiring the System Standard, upon expiration of the 10-year term of the 1991 agreements. This process will achieve a more uniform minimum performance standard throughout the Mighty System.



SYSTEM STANDARD: \$0.73

For example, a franchisee with a Franchise Territory containing 500,000 registered vehicles would have a Minimum Performance Standard for 2020 of Gross Business Volume \$365,000 ( $\$0.73 \times 500,000$ ).

Below are the current System Standards for you when acquiring territories which have (i) no franchised business in operation at the time of acquisition ("**Undeveloped Territories**") and (ii) a franchised business in operation at the time of acquisition that does not meet the System Standard at the time of execution of the Franchise Agreement ("**Under-Developed Territories**").

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SYSTEM STANDARDS WHEN ACQUIRING UNDEVELOPED TERRITORIES OR UNDER-DEVELOPED TERRITORIES

Franchisees that acquire Undeveloped Territories or Under-Developed Territories at the time such Franchise Agreements are executed will be granted the following phase-in period in which to achieve the Minimum Performance Standard:

|                        |                                                                                 |
|------------------------|---------------------------------------------------------------------------------|
| Year 1:                | You must meet or exceed 25% of the Minimum Performance Standard for such year   |
| Year 2:                | You must meet or exceed 50% of the Minimum Performance Standard for such year   |
| Year 3:                | You must meet or exceed 75% of the Minimum Performance Standard for such year   |
| Year 4 and thereafter: | You must meet or exceed 100% of the Minimum Performance Standard for such years |

**Exhibit F**  
**to**  
**MIGHTY® Franchise Agreement**

PURCHASING AND SECURITY AGREEMENT

THIS PURCHASING AND SECURITY AGREEMENT (this "**Agreement**") is effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between MDSA, LLC, a Georgia limited liability company, with its principal place of business at 650 Engineering Drive, Peachtree Corners, Georgia, 30092 (hereinafter referred to as "**we**," "**us**" or "**our**") and

with its principal place of business at \_\_\_\_\_,

\_\_\_\_\_ (hereinafter referred to as the "**you**" or "**your**").

WITNESSETH:

WHEREAS, we have, on or before the execution of this Agreement, entered into a franchise agreement (the "**Franchise Agreement**"), which provides, among other things, for you to operate a business of selling our approved automotive parts, supplies, chemicals, equipment and related products (the "**Merchandise**") as a franchisee of ours; and

WHEREAS, it is anticipated that you will purchase Merchandise from us;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable considerations the receipt and sufficiency which are hereby acknowledged, the parties hereto agree as follows:

1. Ordering of Inventory. You may order automotive parts, supplies, chemicals, equipment and related products from us by the delivery of a purchase order in form and substance as will be approved by us, specifying the items and quantity of Merchandise to be purchased by you. The availability and purchase price of the Inventory (defined below) purchased by you from us will be as shown on the most current inventory price list published by us.

2. Invoices. We will prepare or cause to be prepared at the time of shipment full and complete invoices of the goods shipped pursuant to your order and deliver copies of such invoices by mail or otherwise to you. Said invoices will consist of such provisions as we deem appropriate including, without limitation, itemized lists of the goods shipped, the price of each item and any credit terms.

3. Terms of Payment. Payment of the Purchase Price for Merchandise ordered by you must be made in accordance with the terms and conditions in our invoice to you. In the event you fail to timely pay any amount due for Merchandise ordered, interest on such amount will be charged at the rate of the lesser of 1.5% per month, or the maximum rate allowed by law, for each month, or part thereof, during which said amount remains unpaid, calculated on the amount owed from the date upon which it became due and payable until paid. In the event that you fail or refuse to pay us any sum when due, then, in such event, we may at our option and without prejudice to any and all remedies which we may otherwise have at law or in equity, do any or all of the following: (i) suspend further shipments and deliveries of Merchandise under this Agreement or require cash in advance for all purchases of any nature from us by you or (ii) immediately declare all sums due from you to us due and payable and foreclose upon the security interest granted in your assets.

4. Grant of Security Interest. In order to secure the payment of the Purchase Price of Merchandise delivered to you, the satisfaction of all other obligations of yours under this Agreement or under the Franchise Agreement and all other indebtedness and obligations of you to us, our successors and our assigns, however created, whether direct or indirect, absolute or contingent, or now or hereafter existing, due or to become due (all such sums due, obligations and indebtedness being collectively

referred to as the "**Obligations**"), you hereby grant to us, our successors and assigns a security interest in all of the following described collateral presently owned and used by you in your franchised business, acquired contemporaneously with the execution of this Agreement or acquired by you at any time subsequent to this Agreement, together with all additions and accessions thereto (collectively, the "**Collateral**");

(a) Accounts Receivable resulting from the sale of inventory purchased from us and our approved suppliers ("**Accounts**"); and

(b) Inventory purchased from us and our approved suppliers ("**Inventory**").

5. Future Advances. The security interest granted by you to us under this Agreement will secure the full and prompt payment of the Purchase Price of Merchandise ordered by you from us as provided under this Agreement together with any and all monies, now or hereafter loaned or advanced, voluntarily or involuntarily, by us to or on behalf of you and of any and all obligations under this Agreement, now or hereafter due or owing to us from you arising out of this Agreement, the Franchise Agreement or any other agreement, document or transaction, regardless of any other or further collateral or security delivered or held in connection therewith. The security interest granted to us under this Agreement will be, and remain as, continuing security for all such Obligations, additional advances and debts and any extension or renewal thereof and for all costs, fees, interest, charges and expenses which may be due or owing in connection therewith, all of which will be and remain additional liens on the Collateral covered by this security interest until each and all of the same have been fully paid, satisfied and discharged.

6. Covenants and Obligations of Franchisee. You agree in general: (a) to pay or perform all Obligations secured by us when due; (b) to protect the Collateral and not permit the same to be misused, abused, wasted or allowed to deteriorate, except for the ordinary wear and tear of its intended primary use; (c) to keep the Collateral at all times at your usual and customary place(s) of business; (d) not to sell, lease, exchange or otherwise dispose of any of the Collateral to any person without our prior written consent except in the ordinary course of business; (e) to pay and reimburse us all reasonable costs and expenses, including attorneys' fees and costs, incurred by us in the preservation and realization of the Collateral or in the enforcement and exercise of our rights, powers and remedies upon a default under this Agreement; (f) not to permit any lien on the Collateral other than in favor of us without our prior written approval; (g) to conduct all business efficiently and without voluntary interruption; and (h) to execute, deliver and file at your cost such other documents as we deem necessary to create, perfect and continue the security interest created thereby.

7. Our Rights and Remedies. Upon the occurrence of an event of default, we will have, and may exercise, all of our rights and remedies of enforcement under the Uniform Commercial Code in force in the State where the Collateral is located on the date of the execution of this Agreement ("**Commercial Code**"), and any other applicable law, and, in conjunction with, in addition to and not in substitution for, those rights, at our discretion, we may:

(a) require you to pay and deliver to us, immediately upon collection and receipt by you, all proceeds arising from accounts receivable or notes receivable, which we will apply against your obligations, liabilities and indebtedness to us in the order, amounts and manner which we may determine in our sole discretion; and/or

(b) waive any default, or remedy any default in any reasonable manner, without waiving the default remedied and without waiving any other prior or subsequent default.

8. Rights and Remedies of Franchisee. You will have all the rights and remedies before or after default provided in Article 9 of the Commercial Code in force at the date of the execution of this Agreement.

9. Disclaimer of Warranties. You acknowledge that we are not the manufacturer of the Merchandise and that we have not made and do not make any representations or warranties whatsoever concerning the Merchandise; provided, however, that we will cooperate with you to enable you to recover under any available manufacturer warranties.

10. Survival of Representations and Warranties. All representations, warranties and agreements made under this Agreement will inure to the benefit of, and will be binding upon, the parties hereto and their respective heirs, successors and assigns.

11. Changes, Modifications, Waiver. No changes or modifications of this Agreement will be valid and binding unless the same will be in writing duly executed by each of the parties hereto. No waiver of any provision of this Agreement will be valid unless in writing and signed by the person against whom such waiver is sought. A failure of either party to insist upon strict performance of any one or more of the covenants or conditions of this Agreement, in one or more instances, will not be construed as a waiver or relinquishment for the future of the right to insist upon a strict performance of such covenant or condition.

12. Term of Agreement. This Agreement, unless previously terminated, will be and remain in full force and effect until all Obligations have been satisfied, regardless of the termination or expiration of the Franchise Agreement.

13. Severability of Provisions. Should any part(s) of this Agreement for any reason be declared invalid, such decision will not affect the validity of any remaining parts, which remaining parts will remain in full force and effect as if this Agreement had been executed with the invalid part(s) thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining parts of this Agreement without including therein any such part or parts which may, for any reason, hereafter be declared invalid.

14. Compliance with Applicable Law. To the extent that provisions of this Agreement provide for terms of payment other than in accordance with applicable law, such provisions will not be effective to the extent the provisions are not in accordance with applicable law, and both parties will comply with applicable law in connection with such matters.

15. Conflict with Franchise Agreement. In the event that any of the terms, covenants or conditions of this Agreement conflict with any of the terms, covenants or conditions of the Franchise Agreement, the terms of this Agreement will control.

16. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Georgia.

**IN WITNESS WHEREOF**, the parties have hereunto set their hands and seal as of the day and year first above written.

**WE**:  
MDSA, LLC

Attest: \_\_\_\_\_

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

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

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

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

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

(CORPORATE SEAL)

**YOU**: (if corporation)

\_\_\_\_\_

Attest: \_\_\_\_\_

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

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

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

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

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

(CORPORATE SEAL)

**YOU**: (if individual)

Witness: \_\_\_\_\_ (SEAL)

**Exhibit F1**  
**to**  
**MIGHTY® Franchise Agreement**

CREDIT POLICY\*

I. Benefiting from Our Credit Policy

A. Purchase Line of Credit

1. Each Mighty System franchisee will have a designated maximum line of credit against which it can purchase product from the approved suppliers as listed in the Mighty Buying Guide. This line is calculated by taking into consideration factors which include, but are not limited to: the financial capabilities of you, payment history, sales potential, value/existence of collateral/security and whether you are in good standing under the Franchise Agreement. The assigned credit limit will be reviewed on a semi-annual basis, and a change in any of the above factors will be considered for potential adjustment to the amount of credit available. We have the right to withhold credit in our sole discretion in any particular circumstance.

a. There will be certain line of credit overrides that can be activated, with prior approval of our Credit Department, to accommodate extenuating circumstances (i.e., peak selling seasons, awarded government contracts, fleet accounts, etc.).

B. Billing Cycle

1. The monthly billing will include all charges incurred from the 26th of one month through the 25th of the following month.

2. The exceptions at this time will be the billings incurred from the 16th of one month through the 15th of the following month from certain suppliers.

C. Prompt Pay Discounts

1. To be eligible for a Prompt Pay Discount on invoices for automotive parts, supplies, chemicals, equipment and related products, the payment for the full amount due less the discount must be "postmarked" no later than the 10th day of the month in which the invoice is due. The term "**postmarked**" will mean the postmark of the U.S. Postal Service, the date received for delivery by an overnight delivery service such as Federal Express, the date a bank wire transfers funds from you to an account of ours, or otherwise the date that control of the funds is released by you. If the 10th day of the month falls on a Saturday, Sunday or holiday observed by the U.S. Postal Service, the next business day will be considered timely.

NOTE: OVERNIGHT MAIL DELIVERIES MUST BE SENT TO CORPORATE OFFICE ONLY:  
Mighty Distributing System of America  
650 Engineering Drive  
Peachtree Corners, GA 30092

D. Monthly Payments

1. The monthly due date for the Statement of Account will be the 25th of each month. If the 25th of the month falls on a Saturday, Sunday or holiday observed by the U.S. Postal Service, the prior business day will be considered timely.

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\* We have the right in our sole discretion to amend or revoke our Credit Policy in part or in full during the Term.

E. Past Due Payments

1. We will assess a service charge for all invoices that are past due equal to 1.5% of such past due amount per month for each month, or part thereof, during which said amount remains unpaid, calculated on the amount owed from the date upon which it became due and payable until paid. Payments will be past due unless they are:

- a. received by us by the 25th of the month; or
- b. if the 25th of the month falls on a Saturday, Sunday or holiday observed by the U.S. Postal Service, the prior business day will be considered timely.

2. Accounts unpaid as of the last day of the month are subject to be placed on a "Cash" basis, or placed on "Hold All Orders" restriction, with or without notice, until the past due amount has been paid or prior approval obtained from our Credit Department.

3. Accounts remaining past due 30 days or more will be considered in default and subject to foreclosure (see Franchise Agreement, Section 16.2.3).

NOTE: OVERNIGHT MAIL DELIVERIES MUST BE SENT TO CORPORATE OFFICE ONLY:

Mighty Distributing System of America  
650 Engineering Drive  
Peachtree Corners, GA 30092

F. Returned Check Fee

1. A returned check fee of \$50.00 will be assessed on all returned checks. Prompt pay discounts will not be allowed for any payment that is returned by the bank unless the payment is made good by the 10th of the month in which remittance was made.

2. The past due service charge will be assessed on all payments for which returned checks are not cleared by the 25th of the month in which remittance was made.

G. Due Date Changes

1. If an invoice due date on a Statement of Account is incorrect, the procedure outlined below must be followed to prevent service charges from accruing:

- a. Complete a Due Date Change Form and attach a copy of the applicable WRITTEN PURCHASE ORDER indicating the requested ship date. No other type of documentation will be accepted. Without the WRITTEN PURCHASE ORDER, there cannot be a due date change.

- b. Submit the completed form to Accounts Receivable, Mighty Home Office, to be received no later than the 20th of the current month.

H. Credit Request

1. To receive a pending credit on orders that are incorrectly billed or placed on a Statement of Account, the procedure outlined below must be followed to prevent service charges from accruing:

- a. Complete a Credit Request Form, submit to supplier and attach a copy of all applicable documentation necessary to identify the transaction.

b. Submit the completed form and documentation to Accounts Receivable, Mighty Corporate Office, to be received no later than the 25th of the current month.



**Exhibit F2  
to  
Uniform Commercial Code Financing Statement (UCC-1)**

## UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

|                                                |
|------------------------------------------------|
| A. NAME & PHONE OF CONTACT AT FILER (optional) |
| B. E-MAIL CONTACT AT FILER (optional)          |
| C. SEND ACKNOWLEDGMENT TO: (Name and Address)  |

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

|                         |                          |      |                     |                               |         |
|-------------------------|--------------------------|------|---------------------|-------------------------------|---------|
| 1a. ORGANIZATION'S NAME |                          |      |                     |                               |         |
| OR                      | 1b. INDIVIDUAL'S SURNAME |      | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX  |
| 1c. MAILING ADDRESS     |                          | CITY | STATE               | POSTAL CODE                   | COUNTRY |

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

|                         |                          |      |                     |                               |         |
|-------------------------|--------------------------|------|---------------------|-------------------------------|---------|
| 2a. ORGANIZATION'S NAME |                          |      |                     |                               |         |
| OR                      | 2b. INDIVIDUAL'S SURNAME |      | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX  |
| 2c. MAILING ADDRESS     |                          | CITY | STATE               | POSTAL CODE                   | COUNTRY |

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

|                         |                          |      |                     |                               |         |
|-------------------------|--------------------------|------|---------------------|-------------------------------|---------|
| 3a. ORGANIZATION'S NAME |                          |      |                     |                               |         |
| OR                      | 3b. INDIVIDUAL'S SURNAME |      | FIRST PERSONAL NAME | ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX  |
| 3c. MAILING ADDRESS     |                          | CITY | STATE               | POSTAL CODE                   | COUNTRY |

4. COLLATERAL: This financing statement covers the following collateral:

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, Item 17 and Instructions) ☐ being administered by a Decedent's Personal Representative

6a. Check only if applicable and check only one box:

☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:

☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licenser

8. OPTIONAL FILER REFERENCE DATA:

**EXHIBIT B**

**MEMBERSHIP APPLICATION AND BYLAWS OF FRANAD, INC.**

## FRANAD MEMBERSHIP APPLICATION

To: The Board of Directors  
FRANAD, INC.

The undersigned is a licensee of MDSA, LLC ("MDSA") and hereby applies for membership in FRANAD, INC., and in consideration of the acceptance of this application, agrees:

- (1) to comply with, and be bound by, the Articles of Incorporation and By-Laws, and all amendments thereto, of the Corporation.
- (2) the initial dues of the undersigned shall be .5% of Gross Sales until further changed in accordance with Article 10 of the By-Laws.

The acceptance of this application by FRANAD, INC. shall constitute an agreement between FRANAD, INC. and the undersigned upon the terms hereinabove set forth.

Signed as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

APPLICANT:

\_\_\_\_\_  
License # \_\_\_\_\_

By: \_\_\_\_\_  
[Signature]

The above application for membership is accepted by FRANAD, INC. as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

FRANAD, INC.

By: \_\_\_\_\_  
Kenneth S. Voelker, CEO

BYLAWS  
OF  
FRANAD, INC. \*

PURPOSES

FRANAD, INC. is formed as a cooperative advertising trade association to foster and promote the interests of the licensees of MDSA, LLC, a Georgia limited liability company ("MDSA"). Its functions are to conduct advertising and promotional campaigns and to engage in such other activities as the directors deem to be in the best interests of said licensees. FRANAD, INC. shall have such powers as are now or may hereafter be granted by the Georgia Nonprofit Corporation Code.

ARTICLE 1  
DEFINITIONS

As used herein:

1.1 "Board of Directors", unless the context shall indicate otherwise, shall mean the Board of Directors of the Corporation.

1.2 "Corporation", unless the context shall indicate otherwise, shall mean FRANAD, INC.

1.3 "Gross Sales" shall have the same meaning as such term has under the License.

1.4 "License" shall mean the Franchise Agreement between MDSA and each Licensee.

1.5 "Licensee" shall mean an individual, corporation, partnership or other legal entity which holds a valid License from MDSA.

ARTICLE 2  
OFFICES AND REGISTERED AGENT

2.1 Registered Offices and Registered Agent. The initial registered office of the Corporation and the initial registered agent of the Corporation at said office shall be as set forth in the Articles of Incorporation of the Corporation. The Corporation shall have and maintain a registered office and a registered agent, either of which may be changed from time to time by the Corporation in the manner specified by law.

2.2 Additional Offices. The Corporation may establish additional offices at such other place or places both within and without the State of Georgia and the Board of Directors may from time to time determine.

ARTICLE 3  
MEMBERSHIP AND VOTING RIGHTS

3.1 Membership. The membership of the Corporation shall be divided into two different classes. The first class shall be referred to herein as the "Franchisee Members," and the second class shall be referred to herein as the "Corporate Member." Both classes shall be collectively referred to herein as "Members." These respective classes shall have the rights and qualifications specified below.

3.2 Franchisee Membership. All Licensees shall be eligible to become Franchisee Members of the Corporation. The original Franchisee Members of the Corporation shall consist of all Licensees who have filed with the Corporation a membership letter evidencing their intent to become Franchise Members and to comply with and be bound by all of the terms and conditions relating to Franchisee Membership contained in the Articles of Incorporation of the Corporation, these Bylaws and any amendments thereto. Thereafter, any

Licensee may become a Franchisee Member upon such Licensee's filing of a membership letter with the Corporation.

3.3 Franchisee Member Voting Rights. The voting rights of Franchisee Members shall be limited to the election, replacement and removal of the three (3) Franchisee Directors, the election, replacement and removal of the Council Members as described in Article 8, the setting of the dues contribution rate as described in Section 10.2, and any other matter submitted by the Board of Directors to a vote of the Franchisee Members. For purposes of these Bylaws, to be "in good standing" a Franchisee Member shall, as of the date of the vote, have paid in full all obligations such Franchisee Member owes to the Corporation.

3.4 Corporate Membership. MOA shall be the sole Corporate Member of the Corporation. Unless otherwise indicated, the President of MOA, or his designee, shall serve as the proxy for the Corporate Member at all Meetings of the Members of the Corporation.

3.5 Corporate Member Voting Rights. The voting rights of the Corporate Member shall be limited to the right to appoint, replace and remove the four (4) Corporate Directors.

3.6 Transfer of Membership Interest. A membership interest in the Corporation shall be transferable. If a Franchisee Member transfers or conveys his License to any other party, the rights, privileges and obligations of such transferor's Franchisee Membership in the Corporation shall automatically pass to the transferee. However, any overdue dues or other obligations having accumulated prior to such License transfer or conveyance shall remain as an enforceable obligation of the transferor to the Corporation.

3.7 Termination of Membership. The Board of Directors, by the affirmative vote of at least five directors, may suspend or expel any Franchisee Member for failure to comply with the Bylaws or with any rules or regulations of the Corporation. In addition to and notwithstanding the foregoing, the Board of Directors may, by a simple majority vote of those directors present at any regularly constituted meeting, suspend or expel any Franchisee Member who shall be delinquent in the payment of dues for ninety (90) days or more from the date on which said dues are due and payable in accordance with Article 10 hereof.

If a Franchisee Member ceases to meet the definition of a Licensee herein, his Franchisee Membership shall automatically terminate.

3.8 Resignation. A Franchisee Member shall be obligated to remain a Franchisee Member during the period specified in his FRANAD membership letter or License, as applicable. A Franchisee Member may not resign as a Franchisee Member unless he has obtained the prior approval of the Board of Directors for such resignation. Resignation shall not relieve a Franchisee Member of his obligation to pay any dues, assessments or other charges either accruing prior to the effective date of such resignation and theretofore unpaid or to become due during a future period for which such Franchisee Member had agreed in writing to pay such dues, assessments or other charges.

3.9 Interest of Members. No Member of the Corporation shall have any right, title or interest in any part of the property or assets of the Corporation, except that on its dissolution the Corporation's property shall be distributed to all of the Members in good standing in the proportion of each Member's dues for the twelve month period immediately preceding the adoption of a resolution of dissolution.

3.10 Liability of Members. Members shall not be personally liable for any debts or obligations of the Corporation and, except as set forth in Section 10.5, shall not be subject to any special assessments.

## ARTICLE 4 MEETINGS OF MEMBERS

4.1 Place and Time of Meetings. The Members of the Corporation may conduct business by any of the following methods, as designated by the Board of Directors: (i) by annual or special meetings held at the registered office of the Corporation, or at such other place either within or without the State of Georgia as the Board of Directors may from time to time select, and at such time as may be fixed by the Board of Directors;

or (ii) by electing directors and Council Members by mailed ballot (the transaction of business by mailed ballot shall be deemed a "meeting" for purposes of these Bylaws). The foregoing types of meetings may be hereinafter referred to as "Annual Meetings" (for meetings of either of the foregoing types which are held on annual basis) or "Special Meetings" (for meetings of either of the foregoing types which are not held on an annual basis) or collectively as "Meetings."

4.2 Annual Meeting. An Annual Meeting of the Members shall be held each calendar year on a date and at time as shall be designated by the Board of Directors and stated in the notice for such meeting. If the Annual Meeting is not held within a given calendar year, a Substitute Annual Meeting may be held in the subsequent calendar year.

4.3 Special Meeting. Special Meetings of the Members may be called at any time by the Chairman of the Board of Directors, by the President or by any three (3) directors of the Corporation.

4.4 Notice of Meeting. For meetings of the type specified in Section 4.1(i), a written notice stating the place, day, and hour of an annual or special meeting and, in the case of a special meeting, the purpose or purposes for which such special meeting is called, shall be given not less than ten (10) days nor more than fifty (50) days before the date of such meeting, either by hand or by first-class mail, by or at the direction of the President, the Secretary or the other person or persons calling the meeting, to each Franchisee Member entitled to vote at such meeting. If mailed, such notice (which may include a proxy providing for voting by Franchisee Members by proxy) shall be deemed to be delivered when deposited in the United States mail with first-class postage thereon prepaid, addressed to the Franchisee Member at such Franchisee member's address as it appears on the records of the Corporation. In the event the Corporation elects directors and/or Council Members by mailed ballot as provided in Section 4.1(ii), such ballot shall be mailed (by the procedures set forth in the preceding sentence) to the Franchisee Member entitled to vote not less than ten (10) nor more than fifty (50) days before the date the ballots are to be counted, which date shall be specified in the ballot. Ballots received by the close of business on such date shall be eligible to be counted; ballots received thereafter shall not be eligible to be counted.

4.5 Waiver of Notice. Notice of an Annual or Special Meeting of the type described in Section 4.1(i) need not be given to any Franchisee Member who signs a waiver of notice, in person or by proxy, either before or after the Meeting; and a Franchisee Member's waiver shall be deemed the equivalent of giving and receiving notice. Attendance of a Franchisee Member at a Meeting shall of itself constitute a waiver of any notice which may have been required and waiver of any and all objections to the place of the Meeting, the time of the Meeting, or the manner in which it has been called or convened, except when a Franchisee Member attends a Meeting solely for the purpose of stating, at the beginning of the Meeting, any such objection or objections to the transaction of business. Unless otherwise specified herein, neither the business transacted nor the purpose of the Meeting need be specified in the waiver.

4.6 Quorum. Unless otherwise provided in these Bylaws or the Articles of Incorporation of the Corporation, a majority of the Franchisee Members entitled to vote, represented in person or by proxy or by mailed ballot, shall constitute a quorum at any Meeting of Members. If a quorum is present, the affirmative vote of a majority of the Franchisee Members represented at the Meeting and entitled to vote on the subject matter shall be the act of the Franchisee Members. When a quorum is once present to organize a Meeting, the Franchisee Members present may continue to do business at the Meeting or any adjournment thereof notwithstanding the withdrawal of enough Franchisee Members to leave less than a quorum.

4.7 Adjournment. Any Annual or Special Meeting of the type described in Section 4.1(i) of the Franchisee Members may be adjourned by a majority vote of the Franchisee Members represented in person or by proxy at such Meeting, whether or not a quorum is present. Notice of the adjourned Meeting or of the business to be transacted at such Meeting shall not be necessary, provided the time and place to which the meeting is adjourned are announced at such Meeting at which the adjournment is taken. At an adjourned Meeting at which a quorum is present or represented, any business may be transacted which could have been transacted at the Meeting originally called.

4.8 Voting Rights. Except as otherwise provided in these Bylaws, each Franchisee Member shall be entitled to one vote for each motion brought to a Franchisee Members' vote at each Meeting.

4.9 Proxies. A Franchisee Member entitled to vote may vote in person or by proxy executed in writing by the Franchisee Member or by his attorney-in-fact. A Franchisee Member's proxy shall not be valid after eleven months from the date of its execution unless a longer period is expressly stated in such proxy. The President of MOA, or his designee, shall serve indefinitely as the proxy for the Corporate Member.

4.10 Action by Consent of Franchisee Members. Unless otherwise indicated, any action required or permitted to be taken at a Meeting may be taken without a Meeting if written consent setting forth the action so taken shall be signed by all the Franchisee Members entitled to vote with respect to the subject matter thereof and such consent shall be filed with the Secretary of the Corporation. Such consent shall have the same force and effect as a unanimous vote of the Franchisee Members.

## ARTICLE 5 DIRECTORS

5.1 Number and Qualification. The business and affairs of the Corporation shall be managed by a Board of Directors which shall consist of seven (7) directors, three (3) of which shall be Franchisee Directors (as defined in Section 5.2 below) and four (4) of which shall be Corporate Directors (as defined in Section 5.3 below). All directors shall be natural persons of the age of eighteen (18) years or over, but need not be residents of the State of Georgia.

5.2 Election, Removal and Term of Office of the Franchisee Directors. Franchisee Members shall have the right to replace and remove three (3) directors from the Board of Directors of the Corporation and they may do so at any time, with or without cause, by the vote of an absolute majority of all Franchisee Members entitled to vote thereon, which vote shall be taken at a Meeting with respect to which notice of such purpose has been given. Such directors shall be called the "Franchisee Directors." The Franchisee Directors shall be appointed or elected, as applicable, in two classes, each of which shall have the right to appoint or elect either one or two Franchisee Directors, as specification in Section 5.6.

The first class of one (1) or two (2), as specified in Section 5.6, Franchisee Director(s) shall be appointed by the members of the Board of Directors of Mighty Franchisees Association, Inc. (the "Association"), a corporation organized and existing under the laws of the State of Georgia. These one or two Franchisee Director(s), who shall be called the "Appointed Franchisee Director(s)," shall at the time of their appointment and at the time of their reappointment for a subsequent term (if applicable) be members of the Board of Directors of the Association (the "Association Directors").

The other class of one (1) or two (2) Franchisee Directors, as specified in Section 5.6, who shall be called the "Elected Franchisee Director(s)," shall be elected by all of the Franchisee Members, provided that no person may simultaneously hold the positions of Association Director and Elected Franchisee Director. The Elected Franchisee Director(s) shall be elected in the following manner. Before the first Annual Meeting after the adoption of these Bylaws, and for each annual Meeting in alternate years thereafter, nominations for the Elected Franchisee Director shall take place. Any three (3) or more Franchisee Members in good standing may collectively nominate any other Franchisee Member in good standing who is not an Association Director to fill the Elected Franchisee Director position(s) by notifying the Secretary of the Corporation of such nomination, in a writing or writings signed by the three nominating Franchisee Members and the nominated Franchisee Member, during a period beginning ninety (90) days prior to the date of the respective Annual Meeting or counting of the ballots (as determined by the Board of Directors), if the Annual Meeting is being conducted by mailed ballot as permitted under Section 4.1(ii), and ending fifty (50) days before the Annual Meeting or the date that ballots shall be counted, as applicable. The nominees submitted for the Elected Franchisee Director position(s) shall be listed on the notice of the Annual Meeting (or accompanying proxy) or on the ballot, as applicable. At the Annual Meeting or on the mailed ballot, each Franchisee Member shall have one vote, which shall be cast for one or two, as specified in Section 5.6, of the Elected Franchisee Director nominees. The Elected Franchisee Director nominee(s) receiving the one or two, as applicable, highest number of votes shall be elected to the position(s) of Elected Franchisee Director.



Each of the Franchisee Directors shall hold office for the term of two years (provided, however, that the first term of one of the Appointed Franchisee Directors, who shall be designated by the Association Directors, shall be one (1) year) until his successor has been elected and qualified, or until such Franchisee Director's earlier resignation, removal from office, death or incapacity to serve. The first term of the Franchisee Directors shall commence on the date of the first Annual Meeting held after these Bylaws are adopted.

5.3 Appointment, Removal and term of Office of Corporate Directors. The Corporate Member shall have the right to appoint, replace and remove four (4) directors. Such directors shall be called the "Corporate Directors." Each Corporate Director shall serve for an indefinite term or until his earlier resignation, death, removal from office or incapacity to serve. The Corporate Directors shall be appointed and their terms shall commence on the date of the first Annual Meeting after these Bylaws are adopted. Corporate Directors may only be appointed, removed and replaced by the Corporate Member. Removals of Corporate Directors may be made at any time by sending the Corporate Director(s) to be removed a notice of removal, the receipt of which is not required in order to make such removal effective.

5.4 Vacancies. Vacancies occurring in the Franchisee Director positions may be filled for the unexpired term -- or until the Franchisee Members have elected a successor if the vacancy is for the Elected Franchisee Director position, or until the Association Directors have appointed a successor if the vacancy is for an Appointed Franchisee Director position -- by the remaining Franchisee Directors. A vacancy occurring in the Corporate Director positions shall be filled by appointment of the Corporate Member.

5.5 Compensation. Directors shall not receive a salary for their services as directors.

5.6 Apportionment of Franchisee Directors. The number of Franchisee Directors appointed or elected, as applicable, as between the two classes (Appointed Franchisee Directors and Elected Franchisee Directors) shall be determined based on the ratio of the total number of Franchisee Members to the number of Franchisee Members who are also members of the Association (the "Ratio"). If, on June 1 of each year, the Ratio is less than or equal to 2:1, then the Association Directors shall have the right to appoint two (2) Appointed Franchisee Directors and all of the Franchisee members shall have the right to elect only one (1) Elected Franchisee Director under the procedure described in Section 5.2 at the next Annual Meeting or upon the next date that ballots are to be counted, as applicable, provided, however, that if such Annual Meeting or date that ballots are to be counted is earlier than the next following September 1, the apportionment provided in this Section 5.6 shall be delayed until the next following Annual Meeting or date that ballots are to be counted. If the Ratio is greater than 2:1 on June 1, then the Association Directors will have the right to appoint only one (1) Appointed Franchisee Director and all of the Franchisee Members shall have the right to elect two (2) Elected Franchisee Directors at the next Annual Meeting under the procedure described in Section 5.2.

## ARTICLE 6 MEETINGS OF THE BOARD

6.1 Place and Time of Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place within or without the State of Georgia as the Board of Directors may from time to time designate.

6.2 Annual Meeting. The Board of Directors shall meet at least once each year for the purpose of electing officers and for the consideration of other business.

6.3 Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board, by the President or by any four (4) directors.

6.4 Notice of Meetings. Written notice of each special meeting setting forth the time, place and purpose of the meeting shall be given to each director at least seven (7) days before the meeting. This notice may be given either by hand or by sending a copy of the notice through the United States Mail or by telegram, charges prepaid, to the address of each director appearing on the records of the Corporation.

6.5 Waiver of Notice. A director may waive, in writing, notice of a special meeting of the Board of Directors either before or after the meeting, and such waiver shall be deemed the equivalent of receiving notice of such meeting. Attendance of a director at a meeting shall constitute a waiver of notice of that meeting unless such director attends for the express purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

6.6 Quorum. At meetings of the Board of Directors, a quorum of five directors shall be necessary to constitute a quorum for the transaction of business. If a quorum is present, except where a larger number is required by law, by the Articles of Incorporation or these Bylaws, the acts of a majority of all of the directors shall be the acts of the Board.

6.7 Adjournment. A meeting of the Board of Directors may be adjourned by a majority of the directors present at such meeting, whether or not a quorum exists. Notice of the time and the place of the adjourned meeting and of the business to be transacted thereat, other than by announcement at the meeting at which the adjournment is taken, shall not be necessary. At an adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

6.8 Participation by Conference Telephone. Both annual and special meetings of the Board of Directors may be held in person or by means of conference telephone or similar communications equipment through which each director can hear and be heard by all other directors participating in such meeting. Participating in a meeting pursuant to this Section 6.8 shall constitute presence in person at such meeting.

6.9 Action by Consent. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if written consent, setting forth the action so taken, shall be signed by all the directors, and be filed with the minutes of the proceedings of the Board of Directors. Such consent shall have the same force and effect as a unanimous vote of the Board of Directors.

## ARTICLE 7 OFFICERS

7.1 Officers. The officers of the Corporation shall consist of a President, Secretary and Treasurer, and, if deemed by the Board of Directors to be necessary or appropriate to conduct the business of the Corporation, a Chairman of the Board and one or more Vice Presidents. Two or more offices may be held by the same person except that one person shall not at the same time hold the offices of President and Vice President or the offices of President and Secretary. The officers shall be elected by the Board of Directors or, where specifically provided herein, may be appointed by the President and each officer shall hold office for the term to which such officer is elected or appointed, and until a successor has been elected or appointed and has qualified, or until such officer's earlier resignation, removal from office, death or incapacity to serve.

7.2 Chairman of the Board. If elected by the Board of Directors, the Chairman of the Board shall preside at all meetings of the Board of Directors, and shall be an ex-officio member of all standing committees and shall preside at meetings of such committees unless the Board of Directors, in constituting such committees, shall designate or elect some other person to be the chairman thereof. The Chairman of the Board shall also have such other duties as the Board of Directors shall designate.

7.3 President. Unless otherwise specified by the Board of Directors, the President shall be the chief executive officer of the Corporation, and shall have the responsibility for the general supervision of the business affairs of the Corporation. The President shall perform whatever other duties the Board of Directors may from time to time prescribe.

7.4 Secretary. The Secretary shall keep minutes of all meetings of the Directors and have charge of the minute books and seal of the Corporation and shall perform such other duties and have such other powers as may from time to time be delegated to him by the President or the Board of Directors.

7.5 Treasurer. The Treasurer shall be charged with the management of the financial affairs of the Corporation and shall have the power to recommend action concerning the Corporation's affairs to the President, and shall perform whatever other duties the Board of Directors may from time to time prescribe.

7.6 Vice President. In the absence or disability of the President, the Vice Presidents (if any are elected by the Board of Directors) shall perform the duties and exercise the powers of the President. The Vice Presidents shall perform such other duties and have such other powers as the President, the Chairman of the Board or the Board of Directors may designate one or more Vice Presidents or may otherwise specify the order of seniority of the Vice Presidents. The duties and powers of the President shall devolve upon the Vice Presidents in such specified order of seniority.

7.7 Assistant Secretary and Assistant Treasurer. Assistants to the Secretary and Treasurer may be appointed and shall have such duties as shall be delegated to them by the President, the Chairman of the Board or the Board of Directors.

7.8 Election of Officers. The officers of the Corporation shall be elected by the Board of Directors at its annual meeting and, unless sooner removed by the Board of Directors, shall serve for a term of one year or until their successors are elected and shall qualify.

7.9 Vacancies. When a vacancy occurs in one of the executive offices by death, resignation, or otherwise, it may be filled by the Board of Directors. The officer so selected shall hold office for the remainder of the term of the officer vacating such office, and until such officer's successor has been elected or appointed and has qualified, or until his earlier resignation, removal from office, death or incapacity to serve.

7.10 Salaries. The Board of Directors shall fix the salaries of the officers of the Corporation. The salaries of other agents and employees of the Corporation may be fixed by the Board of Directors or by an officer to whom that function has been delegated by the Board.

7.11 Delegation of Duties. Whenever an officer is absent or whenever for any reason the Board of Directors may deem it desirable, the Board may delegate the powers and duties of an officer to any other officer or officers or to any Director or Directors.

7.12 Removal of Officers and Agents. An officer or agent of the Corporation may be removed by a majority vote of all of the members of the Board of Directors whenever, in their judgment, the best interests of the Corporation will be served by the removal. The removal shall be without prejudice to the contract rights, if any, of the person so removed.

## ARTICLE 8 COUNCIL

8.1 Council; Number, Qualification, Removal and Term of Office. The Corporation shall have a Council which shall consist of seven (7) natural persons of the age of 18 years or over, all of whom are Franchisee Members (the "Council Members"). The Council shall consist of two classes of three and four Council Members, respectively.

The first class of three Council Members shall be comprised of the Franchisee Directors then in office (the "Director Council Members"). Their terms as Director Council Members shall be the same as their terms as Franchisee Directors and any event or occurrence resulting in a change in a person's status as a Franchisee Director (including but not limited to appointment, resignation and removal) shall automatically and in the same manner change such person's status as a Director Council Member. The terms of office of Director Council Members shall commence on the date of the first Annual Meeting after these Bylaws are adopted.

The other class of four Council Members (who shall be called the Additional Council Members) shall be elected by the Franchisee Members at the Annual Meetings as prescribed in Section 8.3 of these Bylaws. No person may simultaneously occupy the positions of Additional Council Member and Franchise Director.

Except as provided for in Section 8.3 of these Bylaws with respect to the initial one-year term for two of the Additional Council Members, each Additional Council Member shall hold office for two years until his successor has been elected and qualified, or until such Additional Council Member's earlier resignation, removal, death or incapacity to serve. An Additional Council Member may resign his appointment at any time and may be removed, with or without cause, by a majority vote of all Franchisee Members entitled to vote thereon at a Meeting with respect to which notice of such purpose has been given. A Director Council Member may resign or be removed by resigning or being removed as a Franchisee Director pursuant to the provisions of Section 5.2.

8.2 Function of the Council. The Council shall make recommendations to the Board of Directors as to any matters within the purposes of the Corporation and the Board of Directors shall consider in good faith any recommendations made to it by the Council, but the Board of Directors' decision respecting any such recommendations shall be final.

8.3 Election of Additional Council Members. The four (4) Additional Council Members shall be elected by the Franchisee Members at the first Annual Meeting after these Bylaws are adopted. At such first Annual Meeting, two of such Additional Council Members shall be elected to a two-year term, and the other two Additional Council Members shall be elected to a one-year term, with the two Additional Council Members receiving the highest number of votes to serve the two-year terms. Nominations for Additional Council Members shall be made in the following manner. Any Franchisee Member may nominate any other Franchisee Member to serve as an Additional Council Member by notifying the Secretary of the Corporation at least ninety (90) days prior to the date of the respective Annual Meeting or counting of the ballots (as determined by the Board of Directors), if the Annual Meeting is being conducted by mailed ballot as permitted under Section 4.1(ii). (For purposes of Section 14-3-82(b) of the Georgia Nonprofit Corporation Code, Additional Council Members shall be deemed to be officers of the Corporation to the extent that their elections may be conducted by mail.). All nominees so submitted shall be listed on the notice of such upcoming Annual Meeting (or accompanying proxy) or on the ballot, as applicable. The nominations for the four Additional Council Members shall close fifty (50) days before the Annual Meeting or fifty (50) days before the date on which the ballots shall be counted if the Annual Meeting is being conducted by mailed ballot under Section 4.1(ii). At the Annual Meeting or on the mailed ballot, each Franchisee Member represented in person or by proxy shall have two votes (four votes with respect to the election of Additional Council Members at the first Annual Meeting after these Bylaws are adopted) which shall be cast for the Additional Council Member nominees. Cumulative voting shall not be permitted. The nominees who receive the two (2) (four (4), with respect to the election of Additional Council Members at the first Annual Meeting after these Bylaws are adopted) highest vote totals shall be elected to fill the Additional Council Member positions up for election.

8.4 Vacancies. A vacancy occurring in an Additional Council Member position, except by reason of removal of such Additional Council Member, may be filled for the unexpired term, or until the Franchisee Members have elected a successor, by the remaining Council Member(s).

8.5 Compensation. Council Members shall not receive a salary for their services; but, by resolution of the Board of Directors, a fixed sum and expenses of attendance may be allowed for attendance at each meeting of the Council.

## ARTICLE 9 MEETINGS OF THE COUNCIL

9.1 Place and Time of Meetings. Regular meetings of the Council may be held without notice at such time and place within or without the State of Georgia as the Council may from time to time designate.

9.2 Annual Meeting. The Council shall meet at least once each year.

9.3 Special Meetings. Special meetings of the Council may be called at any time by the Chairman of the Board, by the President or by any three (3) Council Members.

9.4 Notice of Meetings. Written notice of each special meeting setting forth the time, place and purpose of the meeting shall be given to each Council Member at least seven (7) days before the meeting. This notice may be given either by hand or by sending a copy of the notice through the United States mail or by telegram, charges prepaid, to the address of each Council Member appearing on the records of the Corporation.

9.5 Waiver of Notice. A Council Member may waive, in writing, notice of a special meeting of the Council either before or after the meeting, and such waiver shall be deemed the equivalent of receiving notice. Attendance of a Council Member at a meeting shall constitute a waiver of notice of that meeting unless such Council Member attends for the express purpose of objecting to the transaction of business because the meeting has not been lawfully called or convened.

9.6 Quorum. At meetings of the Council, a majority of the Council Members in office shall be necessary to constitute a quorum for the transaction of business. If a quorum is present, except where a larger number is required by law., by the Articles of Incorporation or these Bylaws, the acts of a majority of the Council Members in attendance shall be the acts of the Council.

9.7 Adjournment. A meeting of the Council may be adjourned by a majority of the Council Members present, whether or not a quorum exists. Notice of the time and the place of the adjourned meeting and of the business to be transacted thereat, other than by announcement at the meeting at which the adjournment is taken, shall not be necessary. At an adjourned meeting at which a quorum is present, any business may be transacted which could have been transacted at the meeting originally called.

9.8 Action by Consent. Any action required or permitted to be taken at a meeting of the Council may be taken without a meeting if written consent setting forth the action so taken, shall be signed by all the Council Members, and be filed with the minutes of the proceedings of the Council. Such consent shall have the same force and effect as a unanimous vote of the Council.

## ARTICLE 10 FINANCIAL MATTERS

10.1 DUES. Each Franchisee Member shall pay dues to the Corporation in a sum equal to that percentage of the Gross Sales of each Franchisee Member as shall from time to time be determined in accordance with Section 10.6 of these Bylaws; provided, however, that no Franchisee Member shall be required to pay dues to the Corporation in an amount that exceeds one percent (1%) of such Franchisee Member's Gross Sales subject to the cap as established by the Membership.

The Corporate Member shall pay dues to the Corporation in a sum not less than one-half (1/2) of the dues collectively paid by the Franchisee Members. (For this purpose, administrative expenses and overhead incurred by the Corporate Member on behalf of the Corporation and accounted for in detail satisfactory to the Franchisee Directors shall be deemed to be funds contributed to the Corporation by the Corporate Member, provided that such deemed contributions in excess of fifty thousand dollars (\$50,000.00) per year shall be allowed to be included in this calculation only upon the approval of not less than two (2) of the three (3) Franchisee Directors, and then only in their sole discretion.)

10.2 Dues Contribution Rate. Subject to the provisions of this Section 10.2, the dues contribution rate to the Corporation will be determined by a simple majority vote of the Franchisee Members at each Annual Meeting. The dues contribution rate shall remain in effect until the next Annual Meeting at which the Franchisee Members vote on a different rate or until a different rate is otherwise set. If the Franchisee Members are unable or unwilling to agree upon the dues contribution rate at an Annual Meeting or Substitute Annual Meeting, the same shall be determined by the Board of Directors. The Franchisee Members shall be obligated to pay their contribution dues, as determined hereunder, to the Corporation.

10.3 Use of Dues. The Franchisee's dues may be used by the Corporation for any of the following expenditures:

- a. Television, radio, print and outdoor media placement.
- b. Creative production costs.
- c. Tapes, shipping and residuals to television, radio and print media advertising.
- d. Advertising agency and public personality costs.
- e. Meeting and administrative costs.
- f. Other advertising or promotional purposes.

10.4 Budget, Monthly Reports and Accounting. Before each Annual Meeting, the Board of Directors of the Corporation shall prepare or cause to be prepared a proposed annual budget (the "Annual Budget") reflecting the estimated expenditures of the Corporation for the next fiscal year. The Annual Budget shall be ratified at the Annual Meeting, immediately preceding the year in which the Annual Budget is to go into effect, by the affirmative vote of the Franchisee members. The Annual Budget shall be broken down into several categories of expenses (the "Expense Categories," which shall include, but not be limited to, any of those categories listed in Section 10.3 above that are applicable for a given Annual Budget) each of which shall be individually budgeted.

A complete accounting for the payment of all Expense Categories will be provided to each Council Member by the Treasurer on the following basis: the Treasurer shall give monthly accounting reports (the "Monthly Reports") to the Council Members no later than sixty (60) days after the end of the month to which such Monthly Reports relate, however, the Treasurer shall use his best efforts to deliver such Monthly Reports as soon as possible after the end of the month to which they relate. The Monthly Reports shall itemize the individual expenditures in each Expense Category, calculate the total expenditures of the Corporation and include copies of the Corporation's general ledger. The Monthly Reports shall compare the actual Expense Categories estimated in the respective Annual Budget to the amount that was actually disbursed for each Expense Category.

The Corporation may not spend any more money in any fiscal year than the total amount of expenses budgeted in the Annual Budget, unless it receives the prior unanimous approval of the members of the Board of Directors. In no event shall the Corporation borrow any funds without the unanimous approval of the members of the Board of Directors.

Unless the Board of Directors approves the carry-over of funds, any contributions made during the fiscal year that have not been expended shall be refunded to the Members in proportion to each Member's contribution to the total during the fiscal year.

10.5 Special Assessments. If upon the unanimous approval of the Board of Directors under Section 10.4 the Corporation elects to exceed the total amount of the Annual Budget or to borrow funds that would require funds from the Members in excess of the dues contribution then in effect, the Board of Directors shall require special assessments, which shall be for a specified time, from the Members to cover such excess or borrowing, as the case may be, which assessments shall be proportionate to such Members' dues contributions then in effect. The Members shall be obligated to pay the special assessment, as determined hereunder, to the Corporation.

10.6 Payment of Dues. Payment of dues contributions are due and payable by the Franchisees Members on or before the tenth (10th) day of the month for the previous month's sales.

10.7 Audit Committee and Corporate Audit. The Corporation shall have an Audit Committee comprised of three members. Two of its members shall be Corporate Directors (who shall be appointed by vote of all of the Corporate Directors). The Franchisee Director member of the Audit Committee shall also be the Chairman of the Audit Committee and he shall preside at all meetings of the Audit Committee. The Audit Committee shall require a quorum of three members to conduct any business. Meetings may be held in person or by telephone conference so long as each member of the Audit Committee can hear and be heard

by all other members attending the meeting. The Audit Committee shall hire one of the certified public accounting firms generally known as the "Big Eight" firms, or any successor to such a firm, on an annual basis to perform an annual audit of the books and records of the Corporation (the "Audited Report") which shall be paid for by the Corporation. Each Audited Report shall be provided to all of the Members of the Corporation at the first Annual Meeting after its completion.

10.8 Audits of Franchisee Members. The Council may at any time have a certified public accountant examine and audit all pertinent books and records of any Franchisee Member for the purpose of determining the accuracy of the information contained in the Franchisee Member's statements of Gross Sales. The expense of any such audit shall be paid by the Corporation.

10.9 Enforcement of Dues. The liability of Members for dues or assessments may be enforced by legal action against such Members by the Corporation.

10.10 Provisions for Reimbursement. The Board of Directors may by resolution provide for the reimbursement of dues to Members for purposes consistent with the purposes of this Corporation.

10.11 Checks. Checks written for expenditures of the Corporation shall have the signatures of at least two Corporate Directors.

## ARTICLE 11 CORPORATE SEAL

The corporate seal shall be in such form as the Board of Directors may from time to time determine. In the event that it is inconvenient at any time to use the corporate seal of the Corporation, the words "Seal" or "Corporate Seal" enclosed in parentheses or scroll shall be deemed the corporate seal of the Corporation.

## ARTICLE 12 MISCELLANEOUS

12.1 Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

12.2 Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes or other evidence of indebtedness issued in the name of the Corporation, shall be signed by the Chairman or in such manner as shall from time to time be determined by resolution of the Board of Directors.

12.3 Deposits. All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

12.4 Advertising Agencies. The Board of Directors, with the approval of a majority of the Council Members, may engage the services of an advertising agency for the placement of the Corporation's advertising on behalf of the members.

12.5 Transitional Appointments. Prior to the first Annual Meeting after these Bylaws are adopted, the Board of Directors of the Corporation may by resolution appoint additional interim members of the Board of Directors and interim members to the Council and Audit Committee, as it deems necessary. Such interim appointees shall hold office only until such time as permanent members of the Board of Directors, Council and Audit Committee are elected or appointed as provided for under the terms of these Bylaws.

## ARTICLE 13 BOOKS AND RECORDS

The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its Members, the Board of Directors, the Council and the Audit Committee, and shall keep at the registered principal office a record giving the names and addresses of the Franchisee Members entitled to vote at Meetings. All books and records of the Corporation may be inspected by any Member, or his agent or attorney, for any proper purpose at any reasonable time.

#### ARTICLE 14 FISCAL YEAR

The Corporation shall have a fiscal year beginning on December 1 and ending on November 30.

#### ARTICLE 15 AMENDMENT

The Bylaws of the Corporation may be altered, amended, or repealed and new Bylaws may be adopted by an affirmative vote of six-sevenths (6/7) of the Board of Directors.

#### ARTICLE 16 INDEMNIFICATION OF OFFICERS AND DIRECTORS, INSURANCE

16.1 Actions By or In Right of Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he was a director, Council Member, Audit Committee Member, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Council Member, Audit Committee member, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. However, no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

16.2 Successful Defense. To the extent that a person indemnified under this Bylaw has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 16.1 and 16.2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

16.3 Determination as to Indemnification. Any indemnification under Sections 16.1 and 16.2 of this Article (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, Council Member, Audit Committee Member, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 16.1 and 16.2. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

16.4 Advance Payment. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized in the specific case upon receipt of an undertaking by or on behalf of the director, Council Member,



Audit Committee Member, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Corporation as authorized in this Article.

16.5 Other Rights. The indemnification provided by this Article shall not be deemed exclusive of any other rights, in respect of indemnification or otherwise, to which those seeking indemnification may be entitled under any Bylaw or resolution approved by the affirmative vote of the required majority of the Board of Directors taken at a meeting the notice of which specified that such Bylaw or resolution would be placed before the Board of Directors, both as to action by a director, Council Member, audit Committee Member, officer, employee or agent in his official capacity and as to action in another capacity while holding such office or position, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

16.6 Insurance. The Corporation and its officers shall have power to purchase and maintain insurance on behalf of any person who is or was director, Council Member, Audit Committee Member, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, Council Member, Audit Committee Member, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article.

16.7 Survival of Indemnification. For purposes of this Article, references to "the Corporation" shall include, in addition to the surviving or new corporation, any merging or consolidating corporation (including any merging or consolidating corporation of a merging or consolidating corporation) absorbed in a merger or consolidation so that any person who is or was a director, Council Member, audit Committee Member, officer, employee or agent of such merging or consolidating corporation, or is or was serving at the request of such merging or consolidating corporation as a director, Council Member, Audit Committee Member, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he would if he had served the resulting or surviving corporation in the same capacity; provided that no indemnification under Sections 16.1 and 16.2 of this Article permitted by this Section shall be mandatory under this Section or any bylaw of the surviving or new corporation without the approval of such indemnification by the board of directors of the surviving or new corporation, in the manner provided in paragraph (i) of Section 16.3 of this Article.

Adopted by the Board of Directors effective February 8, 1988.

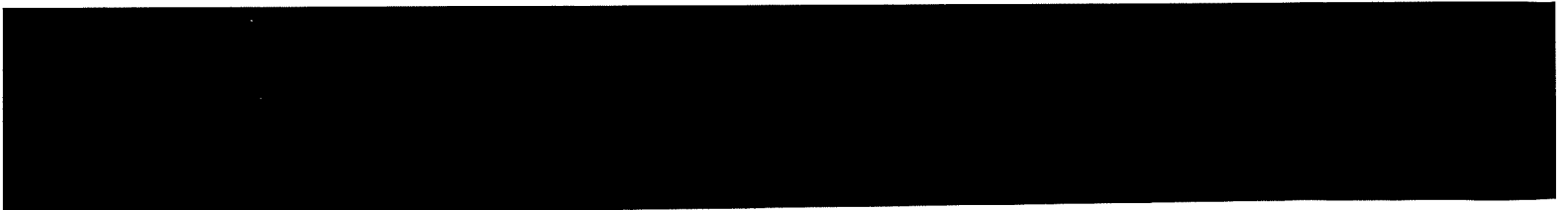
\* As amended by Resolutions of the Board of Directors effective 3/1/96.

**EXHIBIT C**

**FINANCIAL STATEMENTS**

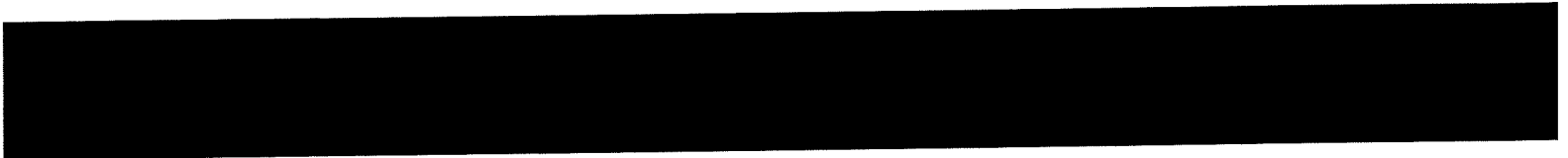
**EXHIBIT C-1**

**AUDITED FINANCIAL STATEMENTS OF MDSA, LLC  
FOR YEARS ENDED DECEMBER 31, 2020 and 2019**



**MDSA, LLC**

**(A wholly owned subsidiary of  
Gonher North America, Inc.)**



**Acknowledgement of Independent Auditors**

**March 1, 2021**





## Acknowledgement of Independent Auditors

To the Member and Management Committee of  
MDSA, LLC

We agree to the inclusion in this March 31, 2021 Franchise Disclosure Document (issued by MDSA, LLC) of our report dated February 22, 2021 on our audit of the December 31, 2020 and 2019 financial statements of MDSA, LLC (a wholly owned subsidiary of Gonher North America, Inc.). We have not performed any audit procedures subsequent to the date of our auditor's report and we have no responsibility for changes or events that may have occurred subsequent to the date of our auditor's report.

Bennett Thrasher LLP

Atlanta, Georgia  
March 1, 2021

BETTER TOGETHER

A Limited Liability Partnership of Certified Public Accountants & Consultants  
Riverwood 200 3300 Riverwood Parkway Suite 700 Atlanta, GA 30339 phone 770.396.2200 fax 770.390.0394  
[www.btcpa.net](http://www.btcpa.net)



**MDSA, LLC**

**(A wholly owned subsidiary of  
Gonher North America, Inc.)**



**Financial Statements**

**December 31, 2020 and 2019**





## Independent Auditor's Report

To the Member and Management Committee of  
MDSA, LLC

We have audited the accompanying financial statements of MDSA, LLC (a wholly owned subsidiary of Gonher North America, Inc.), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 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 MDSA, LLC as of December 31, 2020 and 2019, 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.

February 22, 2021

BETTER TOGETHER

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Riverwood 200 3300 Riverwood Parkway Suite 700 Atlanta, GA 30339 phone 770.396.2200 fax 770.390.0394  
[www.btcpa.net](http://www.btcpa.net)

# MDSA, LLC

(A wholly owned subsidiary of Gonher North America, Inc.)

## Balance Sheets

December 31, 2020 and 2019

|                                                                                         | 2020                 | 2019                 |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                           |                      |                      |
| Current assets:                                                                         |                      |                      |
| Cash                                                                                    | \$ 3,713,508         | \$ 18,810            |
| Accounts receivable, less allowance for doubtful<br>accounts of \$464,165 and \$399,118 | 11,286,324           | 12,424,314           |
| Other receivables                                                                       | 1,109,648            | 1,606,263            |
| Inventories                                                                             | 7,789,493            | 9,226,108            |
| Prepaid expenses and other current assets                                               | <u>213,012</u>       | <u>149,816</u>       |
| Total current assets                                                                    | 24,111,985           | 23,425,311           |
| Property and equipment, net                                                             | 1,144,644            | 1,178,628            |
| Goodwill                                                                                | 1,457,958            | 1,457,958            |
| Other assets                                                                            | <u>2,365</u>         | <u>2,365</u>         |
| Total assets                                                                            | <u>\$ 26,716,952</u> | <u>\$ 26,064,262</u> |
| <b>Liabilities and Member's Equity</b>                                                  |                      |                      |
| Current liabilities:                                                                    |                      |                      |
| Accounts payable                                                                        | \$ 10,464,059        | \$ 11,197,949        |
| Accrued liabilities                                                                     | 2,678,610            | 2,649,345            |
| Current portion of deferred revenue                                                     | <u>235,315</u>       | <u>246,206</u>       |
| Total current liabilities                                                               | 13,377,984           | 14,093,500           |
| Deferred revenue, net of current portion                                                | 962,844              | 1,033,820            |
| Long term incentive accrual                                                             | <u>30,000</u>        | <u>266,667</u>       |
| Total liabilities                                                                       | <u>14,370,828</u>    | <u>15,393,987</u>    |
| Commitments and contingencies                                                           |                      |                      |
| Member's equity:                                                                        |                      |                      |
| 1,155,000 shares authorized, issued and outstanding                                     | 2,173,754            | 2,173,754            |
| Retained earnings                                                                       | <u>10,172,370</u>    | <u>8,496,521</u>     |
| Total member's equity                                                                   | <u>12,346,124</u>    | <u>10,670,275</u>    |
| Total liabilities and member's equity                                                   | <u>\$ 26,716,952</u> | <u>\$ 26,064,262</u> |

See accompanying notes to financial statements.



# MDSA, LLC

(A wholly owned subsidiary of Gonher North America, Inc.)

## Statements of Operations

For the Years Ended December 31, 2020 and 2019

|                                              | 2020                | 2019               |
|----------------------------------------------|---------------------|--------------------|
| Revenues:                                    |                     |                    |
| Net merchandise sales                        | \$ 88,021,951       | \$ 96,769,811      |
| Franchise royalties                          | 6,744,836           | 7,043,773          |
| Initial franchise fees                       | 297,034             | 262,811            |
| Other                                        | <u>354,733</u>      | <u>320,315</u>     |
| Total revenues                               | <u>95,418,554</u>   | <u>104,396,710</u> |
| Operating expenses:                          |                     |                    |
| Cost of merchandise sales                    | 78,434,606          | 87,112,311         |
| Selling, general and administrative expenses | 11,546,206          | 13,026,197         |
| Intellectual property royalty fees           | <u>3,321,662</u>    | <u>3,472,227</u>   |
| Total operating expenses                     | <u>93,302,474</u>   | <u>103,610,735</u> |
| Income from operations                       | <u>2,116,080</u>    | <u>785,975</u>     |
| Other income (expense):                      |                     |                    |
| Interest income                              | 41,218              | 64,612             |
| Interest expense                             | (20,976)            | (55,421)           |
| Miscellaneous                                | <u>77,727</u>       | <u>160,197</u>     |
| Total other income                           | <u>97,969</u>       | <u>169,388</u>     |
| Net income                                   | <u>\$ 2,214,049</u> | <u>\$ 955,363</u>  |

*See accompanying notes to financial statements.*

**MDSA, LLC****(A wholly owned subsidiary of Gonher North America, Inc.)****Statements of Member's Equity****For the Years Ended December 31, 2020 and 2019**

|                               | <b>Number<br/>of Shares</b> | <b>Amount</b>       | <b>Retained<br/>Earnings</b> | <b>Total<br/>Member's<br/>Equity</b> |
|-------------------------------|-----------------------------|---------------------|------------------------------|--------------------------------------|
| Balances at December 31, 2018 | 1,155,000                   | \$ 2,173,754        | \$ 9,301,641                 | \$ 11,475,395                        |
| ASC 606 adjustment            | -                           | -                   | (1,264,583)                  | (1,264,583)                          |
| Distributions                 | -                           | -                   | (495,900)                    | (495,900)                            |
| Net income                    | -                           | -                   | 955,363                      | 955,363                              |
| Balances at December 31, 2019 | 1,155,000                   | 2,173,754           | 8,496,521                    | 10,670,275                           |
| Distributions                 | -                           | -                   | (538,200)                    | (538,200)                            |
| Net income                    | -                           | -                   | 2,214,049                    | 2,214,049                            |
| Balances at December 31, 2020 | <u>1,155,000</u>            | <u>\$ 2,173,754</u> | <u>\$ 10,172,370</u>         | <u>\$ 12,346,124</u>                 |

*See accompanying notes to financial statements.*

**MDSA, LLC****(A wholly owned subsidiary of Gonher North America, Inc.)****Statements of Cash Flows****For the Years Ended December 31, 2020 and 2019**

|                                                                                  | 2020                | 2019             |
|----------------------------------------------------------------------------------|---------------------|------------------|
| Cash flows from operating activities:                                            |                     |                  |
| Net income                                                                       | \$ 2,214,049        | \$ 955,363       |
| Adjustment to reconcile net income to net cash provided by operating activities: |                     |                  |
| Depreciation and amortization                                                    | 261,656             | 277,990          |
| Gain on sale of property and equipment                                           | (8,902)             | (13,851)         |
| Long term incentive expense                                                      | 128,000             | 99,000           |
| Paycheck Protection Program loan forgiveness (Note 4)                            | (1,510,010)         | -                |
| Changes in operating assets and liabilities:                                     |                     |                  |
| Accounts receivable                                                              | 1,137,990           | (1,321,914)      |
| Other receivables                                                                | 496,615             | (758,804)        |
| Inventories                                                                      | 1,436,615           | (374,502)        |
| Prepaid expenses and other current assets                                        | (63,196)            | 70,496           |
| Accounts payable                                                                 | (733,890)           | 295,114          |
| Accrued liabilities                                                              | 29,598              | 1,017,695        |
| Deferred revenue                                                                 | (81,867)            | 15,443           |
| Long term incentive payments (Note 7)                                            | <u>(365,000)</u>    | <u>-</u>         |
| Net cash provided by operating activities                                        | <u>2,941,658</u>    | <u>262,030</u>   |
| Cash flows from investing activities:                                            |                     |                  |
| Purchase of property and equipment                                               | (231,070)           | (353,360)        |
| Proceeds from sale of property and equipment                                     | <u>12,300</u>       | <u>73,279</u>    |
| Net cash used in investing activities                                            | <u>(218,770)</u>    | <u>(280,081)</u> |
| Cash flows from financing activities:                                            |                     |                  |
| Borrowings under line of credit                                                  | 18,983,196          | 41,458,537       |
| Repayment of borrowings under line of credit                                     | (18,983,196)        | (41,458,537)     |
| Borrowings under Paycheck Protection Program (Note 4)                            | 1,510,010           | -                |
| Distributions paid                                                               | <u>(538,200)</u>    | <u>(495,900)</u> |
| Net cash provided by (used in) financing activities                              | <u>971,810</u>      | <u>(495,900)</u> |
| Net increase (decrease) in cash                                                  | 3,694,698           | (513,951)        |
| Cash at beginning of year                                                        | <u>18,810</u>       | <u>532,761</u>   |
| Cash at end of year                                                              | <u>\$ 3,713,508</u> | <u>\$ 18,810</u> |
| <b>Supplemental Disclosure of Cash Flow Information</b>                          |                     |                  |
| Cash paid during the year for interest                                           | <u>\$ 20,976</u>    | <u>\$ 55,421</u> |

*See accompanying notes to financial statements.*

## **MDSA, LLC**

**(A wholly owned subsidiary of Gonher North America, Inc.)**

### **Notes to Financial Statements**

**December 31, 2020 and 2019**

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#### **Note 1: Description of Business and Summary of Significant Accounting Policies**

##### **Description of Business**

MDSA, LLC (the Company), a wholly owned subsidiary of Gonher North America, Inc. (Gonher), is a franchisor whose franchisees sell replacement automotive parts, lubricants, supplies and equipment. The franchisees function as wholesale suppliers to professional automotive service providers and operate throughout the United States and in select international markets. As of December 31, 2020, the Company's divisions are Mighty Product Center (MPC) and Mighty Auto Parts of Atlanta (MAPA). MPC repackages and distributes certain automotive parts to the Company's franchisees, other divisions and professional automotive installers in the Middle East, Canada, Mexico, and Central America. MAPA is operating as a Company-owned franchise. The Company had 95 and 99 franchises as of December 31, 2020 and 2019, respectively. During 2019, the Company sold and ceased operations of its Mighty Auto Parts of Birmingham (MAPB) division and divested and ceased operations of its Mighty Auto Parts of Jacksonville (MAPJ) division, both which operated as Company owned franchises prior to closure. See Note 10 for further discussion of the dispositions.

##### **Basis of Presentation**

On December 23, 2009, Gonher purchased the Company for consideration of approximately \$5,800,000. The effects of push-down accounting of Gonher have not been reflected in the financial statements of the Company. Push-down accounting is not required for standalone subsidiary financial statements of privately owned companies. The financial statements reflect the accounts of the Company at their historical basis.

##### **Use of Estimates in Financial Statements**

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. Actual results could differ from those estimates.

##### **Fair Value of Financial Instruments**

At December 31, 2020 and 2019, the carrying value of the Company's financial instruments including cash, receivables, accounts payable, and accrued liabilities approximate their respective fair value due to the short term maturities of these instruments. The carrying amount of the Company's revolving line of credit approximates fair value due to the variable interest rates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Book overdrafts in bank accounts have been reclassified to accounts payable in the accompanying balance sheets and totaled \$0 and \$1,434,580 as of December 31, 2020 and 2019, respectively.

### **Accounts Receivable**

The Company extends credit to its franchisees and customers on a secured and unsecured basis. Accounts receivable are stated at the amount billed to the customer plus any accrued and unpaid interest. In general, customer account balances with invoices over 30 days old are considered delinquent, carry interest at 1.5% per month, and the franchisees may be subject to foreclosure. An allowance for doubtful accounts is provided equal to the estimated losses that will be incurred in the collection of all receivables based on a review of the current status of the receivables, historical collection experience and management's evaluation of the effect of existing economic conditions.

### **Inventories**

Inventories consist of replacement automotive parts, supplies and equipment held for sale to franchisees and customers and are valued at the lower of cost or net realizable value, with cost determined using the average cost method.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged against operations when incurred. Projects in process are initially capitalized, and depreciation commences as the associated assets are placed into service. Depreciation is primarily provided using the straight-line method over the estimated useful lives of the assets (generally two to ten years for furniture, fixtures and equipment). Leasehold improvements are amortized using the straight-line method over the lesser of the remaining lease terms or the estimated useful lives of the improvements.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the opinion of management, no assets were impaired as of December 31, 2020 or 2019.

### **Goodwill**

Goodwill is evaluated for impairment on at least an annual basis, or more frequently if certain events arise that indicate impairment in its carrying amount. Such conditions may include an economic downturn or a change in the assessment of future operations. Such impairment evaluations for goodwill include comparing the fair value of the appropriate reporting unit with its carrying value. Based on management's qualitative assessment of goodwill, the Company does not believe goodwill is impaired as of December 31, 2020 and 2019.

### **Product Return Reserve**

The Company records an estimate of product returns based on assumptions related to historical product returns. An analysis of the product return liability is performed on an annual basis to ensure the reserve's adequacy. Adjustments are made as deemed appropriate based on the results of the analysis performed. As of December 31, 2020 and 2019, approximately \$104,000 was reserved for future product returns and included as a component of accrued liabilities in the accompanying balance sheets.

### **Member's Equity**

The terms of formation of the Company were specified by an operating agreement which provides for the issuance of 1,155,000 shares. Gonher owns all 1,155,000 shares at December 31, 2020 and 2019. The operating agreement provides for an annual tax distribution to its member in an amount sufficient to cover the member's estimated tax liabilities related to the Company's taxable income. The liability of the member is generally limited to the initial capital contribution. The Company will continue indefinitely unless dissolved by the unanimous approval of a management committee comprised of three representatives.

### **Advertising Costs**

The Company expenses all advertising costs as incurred. Advertising costs totaled approximately \$617,000 in 2020 and \$672,000 in 2019 and are included in selling, general and administrative expenses in the accompanying statements of operations.

### **Shipping and Handling**

Costs incurred for shipping and handling are included in selling, general and administrative expenses in the accompanying statements of operations. These costs totaled approximately \$2,197,000 in 2020 and \$2,344,000 in 2019.

### **Income Taxes**

As a single member limited liability company, the Company is considered a disregarded entity. Accordingly, the Company's taxable income or loss is allocated to its member. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company applies the provisions of accounting standards for income taxes. These standards require that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The Company does not believe its financial statements include any material uncertain tax positions. There have been no penalties or interest incurred by the Company during 2020 or 2019. The Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2017.

### **Major Vendors**

During 2020 and 2019, approximately 32% and 35% of the Company's purchases were from three vendors, respectively. The balance due to these vendors totaled 37% and 38% of accounts payable as of December 31, 2020 and 2019, respectively.

### **New Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The revised standard is effective for annual periods beginning after December 15, 2021, and early adoption is permitted. The Company is currently evaluating the impact of the revised standard on its financial statements.

## Revenue Recognition

Revenue from merchandise sales is recognized as merchandise is shipped.

Franchise royalties are recorded monthly based on 5% of gross sales of the franchisees.

In the normal course of business, prospective franchisees will remit initial franchise fees to the Company concurrent with the execution of a new franchise agreement. Under Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the performance obligation related to these arrangements is collectively deferred and recognized as revenue on a straight-line basis over the term of the underlying agreement as a component of initial franchise fees within the accompanying statements of operations. Deferred franchise fees that are expected to be recognized as revenue within the next 12 months are classified as a component of current portion of deferred revenue within the accompanying balance sheets and deferred franchise fees that are not expected to be recognized as revenue within the next 12 months are classified as deferred revenue, net of current portion within the accompanying balance sheets.

## Note 2: Property and Equipment

Property and equipment consist of the following at December 31:

|                                                | 2020                | 2019                |
|------------------------------------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment             | \$ 4,757,547        | \$ 4,699,337        |
| Leasehold improvements                         | 1,324,316           | 1,304,702           |
| Projects in process                            | <u>113,455</u>      | <u>39,931</u>       |
|                                                | 6,195,318           | 6,043,970           |
| Less accumulated depreciation and amortization | <u>(5,050,674)</u>  | <u>(4,865,342)</u>  |
|                                                | <u>\$ 1,144,644</u> | <u>\$ 1,178,628</u> |

Depreciation and amortization expense totaled \$261,656 in 2020 and \$277,990 in 2019.

## Note 3: Line of Credit

The Company has a revolving Line of Credit (LOC) with a financial institution which provides for borrowings of up to \$6,000,000 and expires in July 2021. The LOC accrues interest at a variable rate of LIBOR plus 2.00% (3.25% at December 31, 2020). The Company is required to make monthly interest payments under the terms of the LOC. The terms of the LOC do not require the Company to make scheduled principal payments although principal prepayments are allowable. All unpaid principal is due upon maturity. As of December 31, 2020 and 2019, there were no outstanding borrowings on the LOC, with \$6,000,000 available for future borrowing.

Under the terms of the LOC, the Company is required to adhere to certain financial and non-financial covenants. The Company was in compliance with these covenants as of December 31, 2020 and 2019.

#### **Note 4: Paycheck Protection Program Loan**

During the second quarter of fiscal year 2020, the Company applied for and received funds in the amount of \$1,510,010 from an unrelated third party lender pursuant to the Paycheck Protection Program (PPP). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) enacted March 27, 2020. The CARES Act is administered by the United States Small Business Administration (SBA).

The original term of the PPP Loan was two years and the annual interest rate on the loan was 1.00%. Payments of principal and interest on the PPP Loan were to be deferred for the first six months of the term of the loan. The promissory note evidencing the PPP Loan contains customary events of default relating to, among other things, payment defaults, breach of representations and warranties, or provisions of the promissory note.

Under the terms of the CARES Act, PPP Loan recipients may apply for and be granted forgiveness for all or a portion of the loans granted under the PPP. Such forgiveness is determined, subject to certain limitations, based on the use of loan proceeds for payroll costs and the maintenance of employee compensation levels, mortgage interest, rent and utility costs. In November 2020 the Company requested that all principal and interest under the PPP Loan be fully forgiven by the SBA. In December 2020, the SBA granted full forgiveness to the Company for all outstanding borrowings under the PPP Loan, including all applicable interest. As the entirety of the funds borrowed were utilized by the Company for the maintenance of employee compensation levels, such forgiveness was recognized as a reduction of compensation expense for the year ended December 31, 2020, which is included as a component of selling, general and administrative expenses in the accompanying statements of operations.

#### **Note 5: Operating Leases**

The Company leases certain property and equipment under lease agreements expiring through 2029. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

Future minimum lease payments under noncancelable operating leases with an original lease term of one year or more at December 31, 2020 are approximately as follows:

##### **Year Ending December 31,**

|            |                     |
|------------|---------------------|
| 2021       | \$ 1,048,000        |
| 2022       | 1,044,000           |
| 2023       | 1,056,000           |
| 2024       | 1,068,000           |
| 2025       | 664,000             |
| Thereafter | <u>2,733,000</u>    |
|            | <u>\$ 7,613,000</u> |

Total rent expense, under all operating leases, was approximately \$1,043,000 and \$1,072,000 in 2020 and 2019, respectively, and is included as a component of selling, general and administrative expenses in the accompanying statements of operations.



## **Note 6: Related Party Transactions**

The Company has an agreement with an affiliate in which the Company pays a royalty fee of 2.5% of franchise sales for the use of certain intangible intellectual property. The original agreement was to expire on the earlier of the following: 1) dissolution of the Company; 2) written notice from the affiliate; 3) change of control; or 4) on December 31, 2019. In June 2019, the Company amended the original agreement to extend the term of the agreement through December 31, 2029. Pursuant to the agreement, the amount of royalty fees paid to the affiliate totaled approximately \$3,322,000 and \$3,472,000 for the years ended December 31, 2020 and 2019, respectively.

During 2020 and 2019, the Company made inventory purchases from affiliates of approximately \$9,473,000 and \$9,278,000, respectively. The Company had outstanding balances due to affiliates of approximately \$329,000 and \$567,000 as of December 31, 2020 and 2019, respectively, which is included in accounts payable in the accompanying balance sheets.

During 2020 and 2019, the Company paid approximately \$588,000, and \$626,000, respectively, to an affiliated advertising cooperative for advertising related expenses. These amounts are included in selling, general and administrative expenses in the accompanying statements of operations. During 2020 and 2019, the Company received management fee income of approximately \$97,000 and \$108,000, respectively, from the affiliated advertising cooperative; amounts are included in other revenues in the accompanying statements of operations.

The Company has an arrangement with an affiliate where it acts as an agent to facilitate certain transactions with third parties. As of December 31, 2020 and 2019, the Company held funds received by third parties due to the affiliate totaling \$371,000, and \$475,000, respectively, which are included as a component of accrued liabilities in the accompanying balance sheets. During 2020 and 2019, the Company received fees from the affiliate related to these arrangements of approximately \$68,000 and \$145,000, respectively, which are included as a component of miscellaneous income within the accompanying statements of operations.

## **Note 7: Long Term Incentive and Employment Agreements**

The Company has long term incentive agreements with certain key employees whereby the Company will pay specified amounts to employees in the event that certain organizational and individual objectives are met over the term of the agreements, two of which expired in 2020 and one of which expires in 2024. During 2020 and 2019, the Company expensed approximately \$128,000 and \$99,000, respectively, related to the long term incentive agreements. To settle the underlying obligations associated with the two agreements that contained the 2020 expiration dates, the Company remitted cash payments to the employees associated with these agreements in the aggregate amount of \$365,000. As of December 31, 2020 and 2019, the balance in the long term incentive accrual was \$30,000 and \$266,667, respectively. In connection with the long term incentive agreements, the Company entered into employment agreements specifying certain levels of annual compensation.

## **Note 8: Commitments and Contingencies**

From time to time, the Company is a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit, or are of such kind or involve such amounts that unfavorable disposition would not have a material effect on the financial position or results of operations of the Company.

## **Note 9: Employee Benefit Plans**

The Company has a defined contribution profit sharing plan covering substantially all employees. The plan provides for employee contributions and discretionary Company contributions. The Company recognized expense related to this plan totaling approximately \$162,000 and \$144,000 in 2020 and 2019, respectively.

## **Note 10: Dispositions**

In June 2019, the Company sold MAPB, and ceased operations of this division. During the year ended December 31, 2019, the Company recognized a nominal loss on this disposition. The sale did not represent a strategic shift that will have a major effect on the Company's operations and financial results and therefore the MAPB division has not been classified as discontinued operations.

In October 2019, the Company divested MAPJ, and ceased operations of this division. During the year ended December 31, 2019, the Company recognized a nominal loss on this disposition. The divestiture did not represent a strategic shift that will have a major effect on the Company's operations and financial results and therefore the MAPJ division has not been classified as discontinued operations.

## **Note 11: Risks and Uncertainties**

### *COVID-19 Disruption*

In March 2020, the World Health Organization officially designated COVID-19 as a pandemic, and as a result, businesses across the country and the world have had to take steps to protect their employees, and employees of companies with whom they do business. The pandemic is ongoing as of the report date and management is presently unable to predict what short term and long term impact this level of disruption may have on the Company. There can be no assurances that a significant impact to the Company will not take place. There have been no adjustments to these financial statements as a result of this uncertainty.

## **Note 12: Subsequent Events**

The Company has evaluated for subsequent events between the balance sheet date of December 31, 2020, and the report date, the date the financial statements were available for issuance. The Company has concluded that all significant subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

\* \* \* \* \*

**EXHIBIT C-2**

**AUDITED FINANCIAL STATEMENTS OF MDSA, LLC  
FOR YEARS ENDED DECEMBER 31, 2019 and 2018**

**MDSA, LLC**  
**(A wholly owned subsidiary of**  
**Gonher North America, Inc.)**

**Acknowledgement of Independent Auditors**

**March 1, 2021**





## Acknowledgement of Independent Auditors

To the Member and Management Committee of  
MDSA, LLC

We agree to the inclusion in this March 31, 2021 Franchise Disclosure Document (issued by MDSA, LLC) of our report dated February 14, 2020 on our audit of the December 31, 2019 and 2018 financial statements of MDSA, LLC (a wholly owned subsidiary of Gonher North America, Inc.). We have not performed any audit procedures subsequent to the date of our auditor's report and we have no responsibility for changes or events that may have occurred subsequent to the date of our auditor's report.

Bennett Thrasher LLP

Atlanta, Georgia  
March 1, 2021

BETTER TOGETHER

A Limited Liability Partnership of Certified Public Accountants & Consultants  
Riverwood 200 3300 Riverwood Parkway Suite 700 Atlanta, GA 30339 phone 770.396.2200 fax 770.390.0394  
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**MDSA, LLC**  
**(A wholly owned subsidiary of**  
**Gonher North America, Inc.)**

**Financial Statements**  
**December 31, 2019 and 2018**





## **Independent Auditor's Report**

To the Member and Management Committee of  
MDSA, LLC

We have audited the accompanying financial statements of MDSA, LLC (a wholly owned subsidiary of Gonher North America, Inc.), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Change in Accounting Principle***

As discussed in Note 1 and Note 9 to the accompanying financial statements, MDSA, LLC has changed its method of accounting for revenue from contracts with customers due to the adoption of Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Accounting Standards Codification Topic 606)*. The Company adopted the new standard using the modified retrospective approach.

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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MDSA, LLC as of December 31, 2019 and 2018, 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.

*Bennett Throckmorton LLP*

February 14, 2020



**MDSA, LLC****(A wholly owned subsidiary of Gonher North America, Inc.)****Balance Sheets****December 31, 2019 and 2018**

|                                                                                         | 2019                 | 2018                 |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Assets</b>                                                                           |                      |                      |
| Current assets:                                                                         |                      |                      |
| Cash                                                                                    | \$ 18,810            | \$ 532,761           |
| Accounts receivable, less allowance for doubtful<br>accounts of \$399,118 and \$392,704 | 12,424,314           | 11,102,400           |
| Other receivables                                                                       | 1,606,263            | 847,459              |
| Inventories                                                                             | 9,226,108            | 8,851,606            |
| Prepaid expenses and other current assets                                               | 149,816              | 215,639              |
| Total current assets                                                                    | 23,425,311           | 21,549,865           |
| Property and equipment, net                                                             | 1,178,628            | 1,162,686            |
| Goodwill                                                                                | 1,457,958            | 1,457,958            |
| Other assets                                                                            | 2,365                | 7,038                |
| Total assets                                                                            | <u>\$ 26,064,262</u> | <u>\$ 24,177,547</u> |
| <b>Liabilities and Member's Equity</b>                                                  |                      |                      |
| Current liabilities:                                                                    |                      |                      |
| Accounts payable                                                                        | \$ 11,197,949        | \$ 10,902,835        |
| Accrued liabilities                                                                     | 2,649,345            | 1,631,317            |
| Current portion of deferred revenue                                                     | 246,206              | -                    |
| Total current liabilities                                                               | 14,093,500           | 12,534,152           |
| Deferred revenue, net of current portion                                                | 1,033,820            | -                    |
| Long term incentive accrual                                                             | 266,667              | 168,000              |
| Total liabilities                                                                       | <u>15,393,987</u>    | <u>12,702,152</u>    |
| Commitments and contingencies                                                           |                      |                      |
| Member's equity:                                                                        |                      |                      |
| 1,155,000 shares authorized, issued and outstanding                                     | 2,173,754            | 2,173,754            |
| Retained earnings                                                                       | 8,496,521            | 9,301,641            |
| Total member's equity                                                                   | <u>10,670,275</u>    | <u>11,475,395</u>    |
| Total liabilities and member's equity                                                   | <u>\$ 26,064,262</u> | <u>\$ 24,177,547</u> |

*See accompanying notes to financial statements.*

**MDSA, LLC****(A wholly owned subsidiary of Gonher North America, Inc.)****Statements of Operations****For the Years Ended December 31, 2019 and 2018**

|                                              | 2019               | 2018                |
|----------------------------------------------|--------------------|---------------------|
| Revenues:                                    |                    |                     |
| Net merchandise sales                        | \$ 96,769,811      | \$ 92,157,232       |
| Franchise royalties                          | 7,043,773          | 6,648,693           |
| Initial franchise fees                       | 262,811            | 263,984             |
| Other                                        | <u>320,315</u>     | <u>295,307</u>      |
| Total revenues                               | <u>104,396,710</u> | <u>99,365,216</u>   |
| Operating expenses:                          |                    |                     |
| Cost of merchandise sales                    | 87,112,311         | 81,970,300          |
| Selling, general and administrative expenses | 13,026,197         | 13,123,186          |
| Intellectual property royalty fees           | <u>3,472,227</u>   | <u>3,259,146</u>    |
| Total operating expenses                     | <u>103,610,735</u> | <u>98,352,632</u>   |
| Income from operations                       | <u>785,975</u>     | <u>1,012,584</u>    |
| Other income (expense):                      |                    |                     |
| Interest income                              | 64,612             | 48,382              |
| Interest expense                             | (55,421)           | (14,875)            |
| Miscellaneous                                | <u>160,197</u>     | <u>115,847</u>      |
| Total other income                           | <u>169,388</u>     | <u>149,354</u>      |
| Net income                                   | <u>\$ 955,363</u>  | <u>\$ 1,161,938</u> |

*See accompanying notes to financial statements.*

**MDSA, LLC****(A wholly owned subsidiary of Gonher North America, Inc.)****Statements of Member's Equity****For the Years Ended December 31, 2019 and 2018**

|                               | <b>Number<br/>of Shares</b> | <b>Amount</b>       | <b>Retained<br/>Earnings</b> | <b>Total<br/>Member's<br/>Equity</b> |
|-------------------------------|-----------------------------|---------------------|------------------------------|--------------------------------------|
| Balances at December 31, 2017 | 1,155,000                   | \$ 2,173,754        | \$ 8,850,153                 | \$ 11,023,907                        |
| Distributions                 | -                           | -                   | (710,450)                    | (710,450)                            |
| Net income                    | -                           | -                   | 1,161,938                    | 1,161,938                            |
| Balances at December 31, 2018 | 1,155,000                   | 2,173,754           | 9,301,641                    | 11,475,395                           |
| ASC 606 adjustment (Note 9)   | -                           | -                   | (1,264,583)                  | (1,264,583)                          |
| Distributions                 | -                           | -                   | (495,900)                    | (495,900)                            |
| Net income                    | -                           | -                   | 955,363                      | 955,363                              |
| Balances at December 31, 2019 | <u>1,155,000</u>            | <u>\$ 2,173,754</u> | <u>\$ 8,496,521</u>          | <u>\$ 10,670,275</u>                 |

*See accompanying notes to financial statements.*

## **MDSA, LLC**

**(A wholly owned subsidiary of Gonher North America, Inc.)**

### **Statements of Cash Flows**

**For the Years Ended December 31, 2019 and 2018**

|                                                                                  | <b>2019</b>      | <b>2018</b>       |
|----------------------------------------------------------------------------------|------------------|-------------------|
| Cash flows from operating activities:                                            |                  |                   |
| Net income                                                                       | \$ 955,363       | \$ 1,161,938      |
| Adjustment to reconcile net income to net cash provided by operating activities: |                  |                   |
| Depreciation and amortization                                                    | 277,990          | 317,634           |
| Gain on sale of property and equipment                                           | (13,851)         | (3,500)           |
| Long term incentive expense                                                      | 99,000           | 98,000            |
| Changes in operating assets and liabilities:                                     |                  |                   |
| Accounts receivable                                                              | (1,321,914)      | 91,001            |
| Other receivables                                                                | (758,804)        | 91,559            |
| Inventories                                                                      | (374,502)        | (10,518)          |
| Prepaid expenses and other current assets                                        | 70,496           | 105,883           |
| Accounts payable                                                                 | 295,114          | 553,258           |
| Accrued liabilities                                                              | 1,017,695        | (928,546)         |
| Deferred revenue                                                                 | <u>15,443</u>    | <u>-</u>          |
| Net cash provided by operating activities                                        | <u>262,030</u>   | <u>1,476,709</u>  |
| Cash flows from investing activities:                                            |                  |                   |
| Purchase of property and equipment                                               | (353,360)        | (278,479)         |
| Proceeds from sale of property and equipment                                     | <u>73,279</u>    | <u>3,500</u>      |
| Net cash used in investing activities                                            | <u>(280,081)</u> | <u>(274,979)</u>  |
| Cash flows from financing activities:                                            |                  |                   |
| Borrowings under line of credit                                                  | 41,458,537       | 19,151,540        |
| Repayment of borrowings under line of credit                                     | (41,458,537)     | (19,151,540)      |
| Distributions paid                                                               | <u>(495,900)</u> | <u>(710,450)</u>  |
| Net cash used in financing activities                                            | <u>(495,900)</u> | <u>(710,450)</u>  |
| Net (decrease) increase in cash                                                  | (513,951)        | 491,280           |
| Cash at beginning of year                                                        | <u>532,761</u>   | <u>41,481</u>     |
| Cash at end of year                                                              | <u>\$ 18,810</u> | <u>\$ 532,761</u> |
| <b>Supplemental Disclosure of Cash Flow Information</b>                          |                  |                   |
| Cash paid during the year for interest                                           | <u>\$ 55,421</u> | <u>\$ 14,875</u>  |

*See accompanying notes to financial statements.*

## **MDSA, LLC**

**(A wholly owned subsidiary of Gonher North America, Inc.)**

### **Notes to Financial Statements**

**December 31, 2019 and 2018**

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#### **Note 1: Description of Business and Summary of Significant Accounting Policies**

##### **Description of Business**

MDSA, LLC (the Company), a wholly owned subsidiary of Gonher North America, Inc. (Gonher), is a franchisor whose franchisees sell replacement automotive parts, lubricants, supplies and equipment. The franchisees function as wholesale suppliers to professional automotive service providers and operate throughout the United States and in select international markets. As of December 31, 2019, the Company's divisions are Mighty Product Center (MPC) and Mighty Auto Parts of Atlanta (MAPA). MPC repackages and distributes certain automotive parts to the Company's franchisees, other divisions and professional automotive installers in the Middle East, Canada, Mexico, and Central America. MAPA is operating as a Company-owned franchise. The Company had 99 franchises as of December 31, 2019 and 101 franchises as of December 31, 2018. During 2019, the Company sold and ceased operations of its Mighty Auto Parts of Birmingham (MAPB) division and divested and ceased operations of its Mighty Auto Parts of Jacksonville (MAPJ) division, both which operated as Company owned franchises prior to closure. See Note 10 for further discussion of the dispositions.

##### **Basis of Presentation**

On December 23, 2009, Gonher purchased the Company for consideration of approximately \$5,800,000. The effects of push-down accounting of Gonher have not been reflected in the financial statements of the Company. Push-down accounting is not required for standalone subsidiary financial statements of privately owned companies. The financial statements reflect the accounts of the Company at their historical basis.

##### **Use of Estimates in Financial Statements**

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. Actual results could differ from those estimates.

##### **Fair Value of Financial Instruments**

At December 31, 2019 and 2018, the carrying value of the Company's financial instruments including cash, receivables, accounts payable, and accrued liabilities approximate their respective fair value due to the short term maturities of these instruments. The carrying amount of the Company's revolving line of credit approximates fair value due to the variable interest rates.

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Company believes it mitigates any risks by depositing cash and investing in cash equivalents with major financial institutions.

Book overdrafts in bank accounts have been reclassified to accounts payable in the accompanying balance sheets and totaled \$1,434,580 and \$1,247,301 as of December 31, 2019 and 2018, respectively.

## **Accounts Receivable**

The Company extends credit to its franchisees and customers on a secured and unsecured basis. Accounts receivable are stated at the amount billed to the customer plus any accrued and unpaid interest. In general, customer account balances with invoices over 30 days old are considered delinquent, carry interest at 1.5% per month, and the franchisees may be subject to foreclosure. An allowance for doubtful accounts is provided equal to the estimated losses that will be incurred in collection of all receivables based on a review of the current status of the receivables, historical collection experience and management's evaluation of the effect of existing economic conditions.

## **Inventories**

Inventories consist of replacement automotive parts, supplies and equipment held for sale to franchisees and customers and are valued at the lower of cost or net realizable value, with cost determined using the average cost method.

## **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged against operations when incurred. Projects in process are initially capitalized, and depreciation commences as the associated assets are placed into service. Depreciation is primarily provided using the straight-line method over the estimated useful lives of the assets (generally two to ten years for furniture, fixtures and equipment). Leasehold improvements are amortized using the straight-line method over the lesser of the remaining lease terms or the estimated useful lives of the improvements.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the opinion of management, no assets were impaired as of December 31, 2019 or 2018.

## **Goodwill**

Goodwill is evaluated for impairment on at least an annual basis, or more frequently if certain events arise that indicate impairment in its carrying amount. Such conditions may include an economic downturn or a change in the assessment of future operations. Such impairment evaluations for goodwill include comparing the fair value of the appropriate reporting unit with its carrying value. Based on management's qualitative assessment of goodwill, the Company does not believe goodwill is impaired as of December 31, 2019 and 2018.

## **Product Return Reserve**

The Company records an estimate of product returns based on assumptions related to historical product returns. An analysis of the product return liability is performed on an annual basis to ensure the reserve's adequacy. Adjustments are made as deemed appropriate based on the results of the analysis performed. As of December 31, 2019 and 2018, approximately \$104,000 was reserved for future product returns and included as a component of accrued liabilities in the accompanying balance sheets.

**Member's Equity**

The terms of formation of the Company were specified by an operating agreement which provides for the issuance of 1,155,000 shares. Gonher owns all 1,155,000 shares at December 31, 2019 and 2018. The operating agreement provides for an annual tax distribution to its member in an amount sufficient to cover the member's estimated tax liabilities related to the Company's taxable income. The liability of the member is generally limited to the initial capital contribution. The Company will continue indefinitely unless dissolved by the unanimous approval of a management committee comprised of three representatives.

**Advertising Costs**

The Company expenses all advertising costs as incurred. Advertising costs totaled approximately \$672,000 in 2019 and \$683,000 in 2018 and are included in selling, general and administrative expenses in the accompanying statements of operations.

**Shipping and Handling**

Costs incurred for shipping and handling are included in selling, general and administrative expenses in the accompanying statements of operations. These costs totaled approximately \$2,344,000 in 2019 and \$2,391,000 in 2018.

**Income Taxes**

As a single member limited liability company, the Company is considered a disregarded entity. Accordingly, the Company's taxable income or loss is allocated to its member. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company applies the provisions of accounting standards for income taxes. These standards require that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The Company does not believe its financial statements include any material uncertain tax positions. There have been no penalties or interest incurred by the Company during 2019 or 2018. The Company is no longer subject to Federal and state income tax examinations by tax authorities for years prior to 2016.

**Major Vendors**

During 2019, approximately 35% of the Company's purchases were from three vendors. During 2018, approximately 25% of the Company's purchases were from two vendors.

## **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Accounting Standards Codification Topic 606, or ASC 606)*, which supersedes nearly all existing revenue recognition guidance. The new standard requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new standard allows for either full retrospective or modified retrospective adoption. The Company adopted ASC 606 utilizing the modified retrospective method of transition. Based on this method, the Company recorded an adjustment for the cumulative impact of the adoption of this guidance on prior periods of \$1,264,583 as of the first day of the year ended December 31, 2019. The adjustment is equal to the difference in initial franchise fee revenue recognized under previous guidance compared to the new standard, which reduced retained earnings and increased Current portion of deferred revenue and Deferred revenue, net of current portion within the Company's accompanying December 31, 2019 balance sheet. In accordance with the adoption of the new standard, initial franchise fees will be recognized ratably over the remaining term of each underlying franchise agreement. See Note 9 for additional details.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The revised standard is effective for annual periods beginning after December 15, 2020, and early adoption is permitted. The Company is currently evaluating the impact of the revised standard on its financial statements.

## **Revenue Recognition**

Revenue from merchandise sales is recognized as merchandise is shipped. The adoption of ASC 606 did not impact revenue recognition related to merchandise sales.

Franchise royalties are recorded monthly based on 5% of gross sales of the franchisees. The adoption of ASC 606 did not impact revenue recognition related to franchise royalties.

In the normal course of business, prospective franchisees will remit initial franchise fees to the Company concurrent with the execution of a new franchise agreement. Under ASC 606, the performance obligation related to these arrangements will be collectively deferred and recognized as revenue on a straight-line basis over the term of the underlying agreements as a component of initial franchise fees in the accompanying statements of operations. Deferred franchise fees that are expected to be recognized as revenue within the next 12 months are classified as a component of Current portion of deferred revenue in the accompanying balance sheets and deferred franchise fees that are not expected to be recognized as revenue within the next 12 months are classified as Deferred revenue, net of current portion in the accompanying balance sheets. Under previous revenue recognition guidance, ASC Topic 605, *Revenue Recognition* and ASC Subtopic 952-605, *Franchisors – Revenue Recognition* (collectively, Legacy GAAP), the Company recognized franchise fees from the sales of individual franchises at the time the Company had performed all major services related to the sale, generally when the franchise had commenced operations.

## **Reclassification**

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on previously reported results of operations or member's equity.



## Note 2: Property and Equipment

Property and equipment consist of the following at December 31:

|                                                | 2019                | 2018                |
|------------------------------------------------|---------------------|---------------------|
| Furniture, fixtures, and equipment             | \$ 4,699,337        | \$ 4,542,539        |
| Leasehold improvements                         | 1,304,702           | 1,303,431           |
| Projects in process                            | <u>39,931</u>       | <u>182,832</u>      |
|                                                | 6,043,970           | 6,028,802           |
| Less accumulated depreciation and amortization | <u>(4,865,342)</u>  | <u>(4,866,116)</u>  |
|                                                | <u>\$ 1,178,628</u> | <u>\$ 1,162,686</u> |

Depreciation and amortization expense totaled \$277,990 in 2019 and \$317,634 in 2018.

## Note 3: Line of Credit

At December 31, 2018, the Company had a revolving line of credit (LOC) with a financial institution which provided for borrowings up to \$4,000,000 and expired on July 31, 2019. The LOC carried interest at a variable rate of LIBOR plus 2.25% and interest payments related to the outstanding borrowings were due monthly. As of December 31, 2018, there were no outstanding borrowings on the LOC, with \$4,000,000 available for future borrowing.

In July 2019, the Company amended the existing LOC with similar terms to increase the borrowing availability and extend the maturity date through July 2021. The LOC, as amended, provides for borrowings up to \$6,000,000 and accrues interest at a variable rate of LIBOR plus 2.00 (3.79% at December 31, 2019). The Company is required to make monthly interest payments under the terms of the LOC. The terms of the LOC do not require the Company to make scheduled principal payments although principal prepayments are allowable. All unpaid principal is due upon maturity. As of December 31, 2019, there were no outstanding borrowings on the LOC, with \$6,000,000 available for future borrowing.

The Company is required to adhere to various financial and nonfinancial covenants under the LOC agreement. As of December 31, 2019 and 2018, the Company was in compliance with these covenants.

#### **Note 4: Operating Leases**

The Company leases certain property and equipment under lease agreements expiring through 2029. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

Future minimum lease payments under noncancelable operating leases with an original lease term of one year or more at December 31, 2019 are approximately as follows:

##### **Year Ending December 31,**

|            |                     |
|------------|---------------------|
| 2020       | \$ 1,026,000        |
| 2021       | 1,023,000           |
| 2022       | 1,023,000           |
| 2023       | 1,024,000           |
| 2024       | 1,025,000           |
| Thereafter | <u>3,154,000</u>    |
|            | <u>\$ 8,275,000</u> |

Total rent expense, under all operating leases, was approximately \$1,072,000 and \$1,054,000 in 2019 and 2018, respectively.

#### **Note 5: Related Party Transactions**

The Company has an agreement with an affiliate in which the Company pays a royalty fee of 2.5% of franchise sales for the use of certain intangible intellectual property. The original agreement was to expire on the earlier of the following: 1) dissolution of the Company; 2) written notice from the affiliate; 3) change of control; or 4) on December 31, 2019. In June 2019, the Company amended the original agreement to extend the term of the agreement through December 31, 2029. Pursuant to the agreement, the amount of royalty fees paid to the affiliate totaled approximately \$3,472,000 and \$3,259,000 for the years ended December 31, 2019 and 2018, respectively.

During 2019 and 2018, the Company made inventory purchases from affiliates of approximately \$9,278,000 and \$8,279,000, respectively. The Company had outstanding balances due to affiliates of approximately \$567,000 and \$250,000 as of December 31, 2019 and 2018, respectively, which is included in accounts payable in the accompanying balance sheets.

During 2019 and 2018, the Company paid approximately \$626,000, and \$611,000, respectively, to an affiliated advertising cooperative for advertising related expenses. These amounts are included in selling, general and administrative expenses in the accompanying statements of operations. During 2019 and 2018, the Company received management fee income of \$108,000 and \$92,000, respectively, from the affiliated advertising cooperative; amounts are included in other revenues in the accompanying statements of operations.

The Company has an arrangement with an affiliate where it acts as an agent to facilitate certain transactions with third parties. As of December 31, 2019 and 2018, the Company held funds received by third parties due to the affiliate totaling \$475,000, and \$43,000, respectively, which are included as a component of accrued liabilities on the accompanying balance sheets. During 2019 and 2018, the Company received fees from the affiliate related to these arrangements of \$145,000 and \$129,000, respectively, which are included as a component of miscellaneous income on the accompanying statements of operations.

## **Note 6: Long Term Incentive and Employment Agreements**

The Company has long term incentive agreements with certain key employees whereby the Company will pay specified amounts to employees in the event that certain organizational and individual objectives are met over the term of the agreements, which expire in 2020. During 2019 and 2018, the Company expensed approximately \$99,000 and \$98,000, respectively, related to the long term incentive agreements. As of December 31, 2019 and 2018, the balance in the long term incentive accrual was \$266,667 and \$168,000, respectively. In connection with the long term incentive agreements, the Company entered into employment agreements specifying certain levels of annual compensation.

## **Note 7: Commitments and Contingencies**

From time to time, the Company is a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or, if not so covered, are without merit, or are of such kind or involve such amounts that unfavorable disposition would not have a material effect on the financial position or results of operations of the Company.

## **Note 8: Employee Benefit Plans**

The Company has a defined contribution profit sharing plan covering substantially all employees. The plan provides for employee contributions and discretionary Company contributions. The Company recognized expense related to this plan totaling approximately \$144,000 and \$160,000 in 2019 and 2018, respectively.

## **Note 9: Impact of Change in Accounting Principle**

### **Financial Statement Impact of Transition to ASC 606**

ASC 606 was applied to all contracts with customers as of January 1, 2019. The cumulative effect was applied using the modified retrospective approach. The accompanying December 31, 2019 balance sheet reflects the transition to ASC 606 as an adjustment at January 1, 2019 as follows:

|                                                         | <b>December 31, 2018</b> | <b>ASC 606<br/>Cumulative<br/>Effect<br/>Adjustments</b> | <b>January 1, 2019</b> |
|---------------------------------------------------------|--------------------------|----------------------------------------------------------|------------------------|
| <b>Liabilities and Member's Equity</b>                  |                          |                                                          |                        |
| Current liabilities:                                    |                          |                                                          |                        |
| Current portion of deferred revenue <sup>(1)</sup>      | \$ -                     | \$ 242,575                                               | \$ 242,575             |
| Deferred revenue, net of current portion <sup>(1)</sup> | -                        | 1,022,008                                                | 1,022,008              |
| Retained earnings <sup>(1)</sup>                        | 9,301,641                | (1,264,583)                                              | 8,037,058              |

- <sup>(1)</sup> Adjustments to Current portion of deferred revenue and Deferred revenue, net of current portion in the amount of \$242,575 and \$1,022,008, respectively, relate to the deferral of previously recognized initial franchise fees received from franchisees, with a corresponding \$1,264,583 decrease in retained earnings at January 1, 2019.

## Comparison of 2019 if Legacy GAAP Had Been in Effect

The Company adopted ASC 606 effective January 1, 2019 using the modified retrospective approach. The cumulative adjustments to the accompanying financial statements as of December 31, 2019 and for the year then ended are as follows:

### Balance Sheet - Selected Financial Data

|                                        | As Reported   | Balances<br>without<br>Adoption of<br>ASC 606 | Effect of Change |
|----------------------------------------|---------------|-----------------------------------------------|------------------|
| <b>Assets</b>                          |               |                                               |                  |
| Total assets                           | \$ 26,064,262 | \$ 26,064,262                                 | \$ -             |
| <b>Liabilities and Member's Equity</b> |               |                                               |                  |
| Current portion of deferred revenue    | \$ 246,206    | \$ -                                          | \$ 246,206       |
| Current liabilities                    | 14,093,500    | 13,847,294                                    | 246,206          |
| Deferred revenue                       | 1,033,820     | -                                             | 1,033,820        |
| Total liabilities                      | 15,393,987    | 14,113,961                                    | 1,280,026        |
| Retained earnings                      | 8,496,521     | 9,776,547                                     | (1,280,026)      |
| Total member's equity                  | 10,670,275    | 11,950,301                                    | (1,280,026)      |
| Total liabilities and member's equity  | \$ 26,064,262 | \$ 26,064,262                                 | \$ -             |

### Statement of Operations - Selected Financial Data

|                          | As Reported    | Balances<br>without<br>Adoption of<br>ASC 606 | Effect of Change |
|--------------------------|----------------|-----------------------------------------------|------------------|
| Total revenues           | \$ 104,396,710 | \$ 104,412,153                                | \$ (15,443)      |
| Total operating expenses | 103,610,735    | 103,610,735                                   | -                |
| Income from operations   | 785,975        | 801,418                                       | (15,443)         |
| Net income               | 955,363        | 970,806                                       | (15,443)         |

### Statement of Cash Flows - Selected Financial Data

|                                              | As Reported | Balances<br>without<br>Adoption of<br>ASC 606 | Effect of Change |
|----------------------------------------------|-------------|-----------------------------------------------|------------------|
| Cash flows from operating activities:        |             |                                               |                  |
| Net income                                   | \$ 955,363  | \$ 970,806                                    | \$ (15,443)      |
| Changes in operating assets and liabilities: |             |                                               |                  |
| Deferred revenue                             | 15,443      | -                                             | 15,443           |
| Net cash provided by operating activities    | 262,030     | 262,030                                       | -                |

**Note 10: Dispositions**

In June 2019, the Company sold MAPB, and ceased operations of this division. During the year ended December 31, 2019, the Company recognized a nominal loss on this disposition. The sale does not represent a strategic shift that will have a major effect on the Company's operations and financial results and therefore the MAPB division has not been classified as discontinued operations.

In October 2019, the Company divested MAPJ, and ceased operations of this division. During the year ended December 31, 2019, the Company recognized a nominal loss on this disposition. The divestiture does not represent a strategic shift that will have a major effect on the Company's operations and financial results and therefore the MAPJ division has not been classified as discontinued operations.

**Note 11: Subsequent Events**

The Company has evaluated for subsequent events between the balance sheet date of December 31, 2019, and the report date, the date the financial statements were available for issuance. The Company has concluded there were no recognized subsequent events or unrecognized subsequent events requiring disclosure.

\* \* \* \* \*

**EXHIBIT D**

**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020**

**(Listed in Alphabetical Order by State of Franchise Location)**

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**ALABAMA**

Tri-State Distribution Group, LLC  
Jeff Bare, Manager  
6193 E US HWY 84  
Cowarts, AL 36321  
(334) 677-2672

Stivers Ford Lincoln, Inc.  
Edward Stivers, III  
Scott DuBose, Manager  
3621 McGehee Rd.  
Montgomery, AL 36111  
(334) 239-8685

F & F Distributing, Inc.  
Ronald Flynn  
Ryan Hays, Manager  
2012 Old Montgomery Highway  
Birmingham, AL 35244  
(205) 595-8868

**ARKANSAS**

Childs Auto Parts, LLC  
Sam Sutherland  
1340 Nabholtz Ave., Suite 8  
Conway, AR 72034  
(501) 205-0273

Arkansas Auto Parts, LLC  
Matt Cavanaugh  
Matt Fletcher, Manager  
3006 Peabody Drive  
Jonesboro, AR 72404  
(870) 268-6686

**ARIZONA**

Automotive Business Solutions, LLC  
Scott Crozier  
15589 North 77th Street, Suite A  
Scottsdale, AZ 85260  
(480) 596-8245

**CALIFORNIA**

El Centro Motors, Inc.  
Jose Lozoya, Manager  
1520 W. Ford Drive  
El Centro, CA 92243  
(760) 336-2126

**CALIFORNIA (Cont.)**

KCRC Incorporated  
Ron Chitwood  
1660 Chicago Avenue, N-7  
Riverside, CA 92507  
(951) 787-9254

KANCO, Inc.  
Ron Kanning  
2487 Amaral Ct  
Hayward, CA 94544  
(510) 429-3490

Frank Motors Parts, Inc.  
Ron Fornaca  
Robert Calzada, Manager  
2940 National City Blvd.  
National City, CA 91950  
(619) 470-5615

Tulare Firestone, Inc.  
Kevin Pires  
Dave Schlaepfer, Manager  
2489 South K Street  
Tulare, CA 93274  
(559) 686-5100

**COLORADO**

Lincoln Distributing, LLC  
David Griffin  
Jonathan Romero, Manager  
1610 W. Garden of the Gods Rd.  
#100  
Colorado Springs, CO 80907  
(719) 301-1900

West Direct Mighty, LLC  
William McNamara, Jr.  
Juan Guara, Manager  
2501 Inland Avenue  
Grand Junction, CO 81505  
(970) 245-8395

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**CONNECTICUT**

Z & K Distributing System, Inc.  
David Kimball  
One Hartford Square. Bldg. 1, Unit 19  
East Gate Dock #51 or #62  
New Britain, CT 06052  
(860) 827-0654

**FLORIDA**

MAP of Orlando, LLC  
Jeff Bare, Manager  
2320 West Airport Blvd.  
Sanford, FL 32771  
(407) 532-3499

Horseless Carriage Aficionado, LLC  
Franklin Dixon  
1228 Viscaya Parkway, Unit A  
Cape Coral, FL 33990  
(239) 573-1333

WH Parts Distribution, LLC  
Warren Zinn  
Juan Lopez, Manager  
2300 N.E. 151 St.  
North Miami, FL 33181  
(305) 749-3790

Pensacola Distribution Group, LLC  
Jeff Bare, Manager  
9900 N. Palafax St., Unit E  
Pensacola, FL 32534  
(850) 941-4003

**GEORGIA**

Professional Sales & Service, Inc.  
Kirk & Debbie Driggers  
3305 Commerce Drive  
Augusta, GA 30909  
(706) 733-4298

KGW Distributing, Inc.  
Greg Wiechard  
267 Grant Rd. West  
Dawsonville, GA 30534  
(770) 595-3860

**GEORGIA (Cont.)**

Vaden Distribution, LLC  
Jane Vaden Thacher  
Mindy Rushing, Manager  
1010 Lynes Ave.  
Savannah, GA 31415  
(912) 341-0176

WKRH Enterprises, Inc.  
Bill Harrell  
1452 Concord Blvd.  
Columbus, GA 31904  
(706) 327-6850

Spirit Auto Parts, LLC  
Emerson Russell  
Matt Green, Manager  
32 Emerson Drive  
Rossville, GA 30741  
(423) 899-8740

**ILLINOIS**

John Waters  
1608 East Main Street  
Clinton, IL 61727  
(217) 433-1192

**IDAHO**

PartsCo Idaho, L.C.  
Kirk Umphrey  
Ted Neilson, Manager  
1810 W Redwood Depot Ln., Unit 10  
Salt Lake City, UT 84104  
(801) 973-7272

**IOWA**

LTP Auto Parts, LLC  
Eric Jackson  
Dave Berlick, Manager  
1817 Hull Avenue  
Des Moines, IA 50313  
(515) 243-4450



MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**INDIANA**

Midwest Distribution Group, LLC  
Jeff Bare, Manager  
1021 E Michigan Street  
Rear Unit  
Indianapolis, IN 46202  
(317) 685-8650

Midwest Distribution Group, LLC/Ft.  
Wayne  
Jeff Bare, Manager  
1021 E Michigan Street  
Rear Unit  
Indianapolis, IN 46202  
(317) 685-8650

**KANSAS**

Kansasland Tire Co., Inc. – Hays  
Gary Wright  
Rob Gregg, Manager  
2820 NW 25<sup>th</sup> Street  
Topeka, KS 66618  
(785) 271-1122

Kansasland Tire Co., Inc. – Hays/Kansas  
City  
Gary Wright  
Rob Gregg, Manager  
2855 SW Wanamaker Road  
Topeka, KS 66614  
(785) 271-1122

Kansasland Tire Co., Inc. – Hays/Wichita  
Gary Wright  
Rob Gregg, Manager  
2855 SW Wanamaker Road  
Topeka, KS 66614  
(785) 271-1122

**LOUISIANA**

World Tire & Supply Co., Inc.  
Paul Bernstein  
407 North Broad Street  
New Orleans, LA 70119  
(504) 822-8489

**LOUISIANA (Cont.)**

Parts & Service, Inc.  
Sharman Lemons  
Shannon Lemons, Manager  
3683 Highway 165  
Olla, LA 71465  
(318) 495-3196

**MASSACHUSETTS**

Balise Auto Sales, Inc.  
James Balise, Jr.  
Francis O'Regan III, Manager  
135 Avocado Street  
Springfield, MA 01104  
(413) 437-7224

**MARYLAND**

Stull & Stull Automotive Parts, Inc.  
David Stull  
515 D Street  
Mt. Lake Park, MD 21550  
(301) 334-4816

WLR Distribution, Inc.  
Randall Simpson  
Sandy Grandstaff, Manager  
7114 Geoffrey Way, Suite L  
Middletown, MD 21704  
(240) 490-7562

**MICHIGAN**

Parts Wholesalers Inc.  
Joe Reck  
28627 Grand River Ave.  
Farmington Hills, MI 48336  
(248) 987-4787

J. Harrington Corporation  
John Harrington  
6911 Summerfield Road  
Petersburg, MI 49270  
(734) 856-6161

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**MINNESOTA**

LTP Auto Parts, LLC  
Eric Jackson  
Dave Berlick, Manager  
858 Transfer Road  
Saint Paul, MN 55114  
(952) 890-5610

Royal Tire, Inc.  
Paul Duininck  
3955 Roosevelt Road  
St. Cloud, MN 56301  
(320) 240-2952

**MISSOURI**

Plaza Tire Service, Inc.  
Mark Rhodes  
Rob Short, Manager  
2075 Corporate Circle  
Cape Girardeau, MO 63703  
(573) 334-0888

**MONTANA**

Underriner Wholesale, LLC  
William Underriner  
Roland Pederson, Manager  
3671 Pierce Parkway  
Billings, MT 59106  
(406) 255-2329

**NORTH CAROLINA**

J.P. Thomas & Co., Incorporated  
Sally Thomas Cox  
890 Pineview Road, Suite F  
Asheboro, NC 27203  
(336) 799-1221

CISA Distribution, LLC  
Joel Walker  
David Lautzenheier, Manager  
7818 Tyner Street  
Charlotte, NC 28262  
(704) 296-0299

**NORTH CAROLINA (Cont.)**

Colony Tire Corporation  
Charlie Creighton  
Will White, Manager  
1415 North Broad St.  
Edenton, NC 27932  
(252) 482-5496

**NORTH DAKOTA**

Northwest Tire, Inc.  
Daniel Pearson  
Glen Wald, Manager  
1615 E. Bismarck Expressway  
Bismarck, ND 58504  
(701) 751-4415

**NEW HAMPSHIRE**

Helm Automotive Incorporated  
Ben Helm & Stephanie Helm  
8030 South Willow Street  
Building 2, Unit 1  
Manchester, NH 03103  
(603) 668-6572

**NEW JERSEY**

Auto Guard Automotive Parts  
Paul Kirstein  
104 Gray Street, Unit 3  
Paterson, NJ 07501  
(973) 345-4143

ELJAM, Inc.  
El Herbert  
100 Allied Parkway  
West Berlin, NJ 08091  
(856) 768-5910

G & G Distributing, LLC  
Greg Hough  
342 4<sup>th</sup> Street  
Ewing, NJ 08638  
(609) 362-3268

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**NEW MEXICO**

MOJO Auto Parts, LLC  
Richard Jones  
Mike Hostetler, Manager  
2832 Girard Blvd. NE  
Albuquerque, NM 87107  
(505) 344-1111

**NEW YORK**

Trombley Distributing, Inc.  
Tim Trombley  
Jerry Zoppi, Manager  
8 Apollo Drive  
Batavia, NY 14020  
(315) 759-0904

Hudson Valley Automotive Parts, Inc.  
Scott Accardi  
200 Saw Mill River Road  
Hawthorne, NY 10523  
(914) 592-3006

Adirondack Hercules Tire Corp.  
Larry O'Shea  
Joseph Dennis, Manager  
198 Morris Road  
Schenectady, NY 12303  
(518) 817-0646

DJM Auto Parts Inc.  
Rob Sinanan  
191 Newton Road  
Plainview, NY 11803  
(516) 927-8700

Trombley Distributing, Inc.  
Tim Trombley  
Brandon Trombley, Manager  
180 Ovid Street  
Seneca Falls, NY 13148  
(315) 759-0904

**NEVADA**

PartsCo Nevada, L.C.  
Kirk Umphrey  
Ted Neilson, Manager  
1180 Center Point Drive  
Suite 112  
Henderson, NV 89074  
(702) 564-3757

**OHIO**

RKB Distribution, Inc.  
R. Keith Boyd  
Steve Wilson, Manager  
739 Rose Avenue  
Columbus, OH 43219  
(614) 252-6000

Park Auto South, Inc.  
Glenn Mears, III  
Ray Gabriele, Manager  
555 Commercial Parkway  
Dover, OH 44622  
(330) 364-4504

George Waikem Ford, Inc.  
George Waikem, Jr.  
Jim Fleming, Manager  
4321 Lincoln Way East  
Massillon, OH 44646  
(877) 344-7700

David Hatfield Enterprises, Inc.  
David Hatfield  
601 Howard Street  
Mt. Vernon, OH 43050  
(740) 392-6004

**OKLAHOMA**

Parts & Supplies Logistics, L.L.C.  
Mark Moore  
Jerrel Henson, Manager  
12321 Santa Fe Avenue  
Oklahoma City, OK 73114  
(405) 607-0796

**OREGON**

Western Pro, LLC  
Steven Hays  
Matt Krouse, Manager  
191 Bateman Drive  
Central Point, OR 97502  
(541) 826-5550

**PENNSYLVANIA**

Trevor R. Smith, Inc.  
Blair Smith  
518 Thomson Park Drive  
Cranberry Township, PA 16066  
(724) 778-9200

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**PENNSYLVANIA (Cont.)**

Central Coast Distribution, LLC  
Bob Falter  
John Spaar, Manager  
3328 Concord Road  
Building C  
York, PA 17402  
(717) 695-0049

Central Coast Distribution,  
LLC/Bensalem  
Bob Falter  
John Spaar, Manager  
855 C, Dunksferry Road  
Bensalem, PA 19020  
(215) 245-2090

Bastian Tire Sale, Inc.  
Michael Bastian  
Marc Stiger, Manager  
Rear 2940 Reach Road  
Williamsport, PA 17701  
(570) 601-0394

**RHODE ISLAND**

Balise Auto Sales, Inc.  
James Balise, Jr  
Francis O'Regan III, Manager  
1400 Post Road  
Warwick, RI 02888  
(401) 780-3090

**SOUTH CAROLINA**

CJ Supply Company/Spartanburg  
Chad Weisbeck  
Carter Nelson, Manager  
135 Runion Drive  
Greer, SC 29651  
(864) 334-5619

CJ Supply Company/Spartanburg  
Chad Weisbeck  
Carter Nelson, Manager  
3450 Buffalo Ave., Suite A  
North Charleston, SC 29418  
(843) 225-2747

**SOUTH DAKOTA**

Graham Tire Company, Inc.  
Tom Graham  
Dustin Sona, Manager  
810 East 48th Street North  
Sioux Falls, SD 57104  
(605) 339-3798

**TENNESSEE**

Volunteer Auto Parts Dist., LLC  
James Matlock  
Sarah McKeehan, Manager  
317 Highway 70 West  
Lenoir City, TN 37771  
(865) 986-7454

Burnett Enterprises  
Russell Burnett  
1222 South Hartmann-Drive  
Lebanon, TN 37090  
(615) 833-6748

**TEXAS**

Texas Enterprises, Inc.  
Ford Smith, Jr.  
Brandon Hughes, Manager  
2702 Industrial Boulevard  
Abilene, TX 79605  
(325) 695-0150

Texas Enterprises, Inc.  
Ford Smith, Jr.  
Ray Janss, Manager  
5001 East 5th Street  
Austin, TX 78702  
(512) 990-8008

RM & J Distributing Inc.  
Rosemarie DeLano  
Michael DeLano, Manager  
4562 Hwy 69 South  
Lumberton, TX 77657  
(409) 227-4705

CT Rush, Inc.  
Hector Ruiz Santos  
7198 Merchant Av., Suite B4  
El Paso, TX 79915  
(915) 775-1335

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**TEXAS (Cont.)**

Texas Enterprises, Inc./Dallas-Ft. Worth  
Ford Smith, Jr.  
Brandon Hughes, Manager  
3524 Liston Lane  
Euless, TX 76040  
(817) 590-9770

Texas Enterprises, Inc.  
Ford Smith, Jr.  
Brandon Hughes, Manager  
3100 Clovis Road  
Lubbock, TX 79408  
(806) 763-1858

Texas Enterprises, Inc.  
Ford Smith, Jr.  
Joe Rutter, Manager  
4780 Westway Drive  
Corpus Christi, TX 78408  
(361) 360-7896

CTS Distribution, LLC  
Scott Kinsel  
Keith Winckler, Manager  
3900 Claymoore Park Drive  
Suite 100  
Houston, TX 77043  
(409) 658-9332

Texas Enterprises, Inc.  
Ford Smith, Jr.  
Rick Taylor, Manager  
3010 Aniol Street  
San Antonio, TX 78219  
(210) 222-0866

Allen Distributing, Inc.  
Brian Feiden  
1411 State Highway 110 South  
Whitehouse, TX 75791  
(903) 526-5011

**UTAH**

PartsCo, L.C.  
Kirk Umphrey  
Ted Neilson, Manager  
1810 W Redwood Depot Lane, Unit 10  
Salt Lake City, UT 84104  
(801) 973-7272

**VIRGINIA**

Elite Auto Parts Distributors, LLC  
Christopher Burns  
Joe Gray, Manager  
6304-G Gravel Avenue  
Alexandria, VA 22310  
(571) 348-0995

CP&F, LLC  
Michael Day  
Daniel Simpson, Manager  
7010 Calmar Drive  
Mechanicsville, VA 23111  
(804) 746-9760

Rest Auto, LLC  
Mike Holmes  
Ben Wilson, Manager  
22660 Executive Drive, Suite 116  
Sterling, VA 20166  
(571) 282-2925

**VERMONT**

Green Mountain Auto Supply, Inc.  
Greg Blake  
1920 Vermont, Rt. 14 South  
Suite A  
Montpelier, VT 05651  
(802) 371-8659

**WASHINGTON**

Ben Nydam  
1015 Willeys Lake Road  
Ferndale, WA 98248  
(360) 739-9787

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF CURRENT FRANCHISEES AS OF DECEMBER 31, 2020

**WASHINGTON (Cont.)**

NW Parts Distributors, LLC  
Shane Pierre  
CJ Hoiem, Manager  
11555 27<sup>th</sup> Ave., NE  
Seattle, WA 98125  
(800) 666-1570

Hannah Motor Company  
Richard Hannah  
Corey Akins, Manager  
1100 NE 95th Street  
Vancouver, WA 98665  
(360) 944-3444

**WISCONSIN**

LTP Auto Parts, LLC  
Eric Jackson  
Dave Berlick, Manager  
1517 County Road O  
Suite A  
Neenah, WI 54956  
(414) 375-1815

LTP Auto Parts, LLC  
Eric Jackson  
Dave Berlick, Manager  
6600 N. Industrial Rd.  
Milwaukee, WI 53223  
(262) 893-4326

**EXHIBIT E**

**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, 2020**

MIGHTY DISTRIBUTING SYSTEM OF AMERICA  
LIST OF FORMER FRANCHISEES AS OF DECEMBER 31, 2020

Autoparts Solutions, LLC  
Paul Levengood, Sr.  
Birdsboro, PA 19029  
(610) 404-0224

PB Distributing, Inc.  
Jeff Pohlman  
Hamilton, OH 45011  
(513) 896-9667

Windsor Discount Tire  
Harvey Rudnick  
Brockton, MA 02301  
(781) 308-3560

Moving Parts, LLC  
Bryan Brown  
Louisville, KY 40218  
(502) 653-3792

Supply Pro, Inc.  
Eric Taylor  
Spartanburg, SC 29302  
(800) 922-3149

Supply Pro, Inc.  
Eric Taylor  
Columbia, SC 29203  
(800) 922-3149

Supply Pro, LLC  
Eric Taylor  
North Charleston, SC 29420  
(800) 922-3149



## **EXHIBIT F**

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**EXHIBIT G**

**APPROVED SUPPLIER LISTING**

**EXHIBIT G**  
**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**APPROVED SUPPLIER LISTING**

| <b><u>Supplier</u></b>                                                                       | <b><u>Product and Contact</u></b>                                                             |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| 31 Incorporated<br>100 Enterprise Drive<br>Newcomerstown, OH 43832                           | Tire Repair<br>Bob Hendry<br>(800) 438-3302                                                   |
| Althans Insurance Agency, Inc.*<br>543 E. Washington Street<br>Chagrin Falls, OH 44022       | Insurance<br>Stacie Waller<br>(800) 385-8640 Ext. 3141                                        |
| AME International<br>2347 Circuit Way<br>Brooksville, FL 34604                               | Tools & Equipment<br>Shane Wiley<br>(352) 799-1111                                            |
| AMMEX Corporation<br>P.O. Box 88047<br>Tukwila, WA 98138                                     | Gloves<br>Theresa Tiu<br>(425) 251-4000 ext. 485                                              |
| Autel USA<br>175 Central Ave.<br>Farmingdale, NY 11735                                       | TPMS Sensors & Diagnostic Tools<br>Chris Mack<br>(617) 818-0131                               |
| Assured Partners*<br>3900 Kinross Lakes Parkway #300<br>Richfield, OH 44286                  | Insurance<br>Cindy Lockhart<br>(800) 860-0090 ext. 6527                                       |
| AutoNetTV<br>13867 S. Bangerter Parkway<br>Suite 200<br>Draper, UT 84020                     | Car Care TV<br>Timothy Cannon<br>(801) 692-1507                                               |
| Balcrank<br>90 Monticello Road<br>Weaverville, NC 28787                                      | Fluid Dispensing Systems<br>Don Smith<br>(800) 747-5300                                       |
| Bartec USA<br>44231 Phoenix Drive<br>Sterling Heights, MI 48314                              | TPMS Tools & Equipment<br>Bobby Harvey<br>(586) 552-9877                                      |
| Better Brake Parts<br>915 Shawnee Road<br>Lima, OH 45805                                     | Brake Hardware, Disc Brake Abutment Hardware Kits<br>Larry Blackburn<br>800-234-2231 ext. 118 |
| Blue Sage Software<br>12463 Rancho Bernardo Rd., #152<br>San Diego, CA 92128                 | Warehouse Management Software<br>Customer Support<br>(973) 366-1900                           |
| Breeze / Norma Pennsylvania Inc.<br>325 W. Silverbell Road Suite 230<br>Lake Orion, MI 48359 | Hose Clamps<br>John Seifert<br>(412) 951-9981                                                 |
| CCP Industries<br>PO Box 73627<br>Cleveland, OH 44193                                        | Safety, MRO, PPE, Restroom<br>Aaron Shank<br>(517) 719-0451                                   |



**EXHIBIT G**  
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**Supplier**

**Product and Contact**

CEC, IND.  
599 Bond Street  
Lincolnshire, IL 60069

Lighting  
John Goetluck  
(847) 821-1199

Centric Parts  
14528 Bonelli Street  
City of Industry, CA 91746

Hub/Wheel Bearings & Chassis Parts  
Diane Maurisso  
(626) 961-5775

Champion Laboratories, Inc.  
204 S 4<sup>th</sup> Street  
Albion, IL 62806

Luber-finer Air, Oil and Fuel Filters  
Diane Maurisso  
(401) 486-3263

Coastline Chemical Inc.  
30426 Depot Street  
New Church, VA 23415

Antifreeze  
Jonathan Sharpley  
(757) 824-3831 ext. 105

Continental ContiTech  
703 S. Cleveland Massillon Road  
Fairlawn, OH 44333

Timing Belts  
Mark Rickman  
(804) 754-6186

CPS / MotorVac  
3600 Enterprise Way  
Miramar, FL 33025

Refrigerant Machines  
Dennis Eaton  
(800) 277-3808

CTA Manufacturing Corp.  
263 Veterans Blvd.  
Carlstadt, NJ 07072-2792

Specialty Tools  
Michael Borghard  
(201) 896-1000

Designer Decal, Inc.  
1120 E First Ave  
Spokane, WA 99202

Vehicle Graphics  
Russell Orne  
(509) 535-0237

Dill Air Controls  
1500 Williamsboro Street  
Oxford, NC 27565

TPMS Transmitters & Service Kits  
Brian Rigney  
(312) 643-0984

Disco Automotive Hardware  
PO Box 858  
Sulphur, OK 76086

Automotive Hardware, Fasteners  
Darrin Day  
(580) 622-3090

Dorman Products, Inc.  
3400 East Walnut Street  
Colmar, PA 18915

Automotive Hardware, Fasteners  
Sarah Travis  
(321) 408-1138

East Penn Manufacturing  
Deka Road  
Lyons Station, PA 19536

Battery Cables and Terminals  
Curt Stork  
(610) 682-6361

Entire Car Protection (ECP)  
11210 Katherine's Crossing  
Suite 100  
Woodridge, IL 60517

Vehicle Care  
Terry McGuire  
(800) 323-3521

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**Supplier**

Elite EXTRA  
2985 58<sup>th</sup> Street  
Eau Claire, WI 54703

Eppco  
544 S. Green Road  
Cleveland, OH 44121

Forecast Products  
2760 N.W. 63rd Court  
Fort Lauderdale, FL 33309

GMB NA  
100 Herrod Blvd.  
Dayton, New Jersey 08810

Gold Eagle  
4400 South Kildare Ave.  
Chicago, IL 60632

Gonher (MTY Direct)  
Av. Manuel Ordonez No. 600  
Santa Catarina, N.L. Mexico 66350

Gravity Payments\*  
5601 22<sup>nd</sup> Ave. NW  
Seattle, WA 98107

HBD/Thermoid  
1301 W. Sandusky Avenue  
Bellefontaine, OH 43311

HD Group  
255 Geremma Court  
Ballwin, MO 63011

Henkel Corporation/Loctite  
1001 Trout Brook Crossing  
Rocky Hill, CT 06067

Hennessy Industries, Inc.  
1601 J.P. Hennessy Dr.  
LaVergne, TN 37086

Horizon Tool, Inc.  
7918 Industrial Village Rd.  
Greensboro, NC 27409

**Product and Contact**

Tracking & Routing Software  
Jon Ward  
(888) 484-8729 ext. 230

Disposable Mechanic's Gloves  
Steve Zurney  
216-382-8300

Import Caps and Rotors  
Jeff Olefson  
(954) 979-1120 ext. 242

Hub Bearings, Fuel Pumps, Water Pumps  
John Stanton  
(609) 655-2422 ext. 129

VS7 Chemicals  
Ross Mohrmann  
(773) 326-6383

EGII Air Filters, EGII Oil Filters, TecSelect Oil Filters, VS7  
Brake Fluid & Power Steering Fluid  
Mighty Product Center  
MPC Customer Service  
(888) 288-7180 or (731) 988-7181

Credit Card Processing Service  
Marshall Rambo  
(866) 701-4700 ext. 543

Tubing, Small Hose  
Teresa Dickinson  
(800) 543-8070

Vehicle Maintenance Kits  
Butch Hill  
(636) 227-4443

Adhesives and Sealants  
Patricia Stehlin  
(630) 640-8535

Service Equipment, Wheel Weights  
Ben Walker  
(800) 688-6359 ext. 7362

Hand & Surface Sanitizer  
Ivan Forte  
(434) 258-4572

**EXHIBIT G**  
**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**APPROVED SUPPLIER LISTING**

**Supplier**

ICP – Impact Corporate Promotions  
1710 Cumberland Point Drive SE  
Suite 20  
Marietta, GA 30067

Ideal Clamp Products, Inc.  
8100 Tridon Drive  
Smyrna, TN 37167

IMI Products  
3183 Black Gap Road  
Chambersburg, PA 17202

Inkbench, Inc.  
P.O. Box 43693  
Montclair, NJ 07043

Integrated Supply Network, Inc. (ISN)  
6632 Silk Tree Pointe  
Braselton, GA 30517

JohnDow Industries  
151 Snyder Ave.  
Barberton, OH 44203

JS Products, Inc. (Steelman)  
6445 Montessori Street  
Las Vegas, Nevada 89113

Kenvo Technology Inc.  
11543 – 160 St.  
Edmonton, Alberta  
T5M 3V9 Canada

Kex Tire Repair/Rema Tip Top  
240 Pegasus Ave.  
Northvale, NJ 07647

K-Tool International  
31111 Wixom Road  
Wixom, MI 48393

Lexis Printing\*  
2825 Pacific Drive, Suite A  
Norcross, GA 30071

Legacy Partners Associates  
6826 Hill Park Drive, Suite 100  
Lorton, VA 22079

**Product and Contact**

Mighty Apparel/Promotional Merchandise  
Marvin (Bubba) Rollins  
Phone: 404-401-0657

Hose Clamps  
Mark Merx  
(615) 557-2786

Equal Flexx, Checkpoint, STS Tire Conditioner & Sealant  
Tim Gillespie  
(800) 223-7086

Brand Management  
Stephanie Beighley  
(929) 276-2697

Tools & Equipment  
Steve Milton  
(678) 662-7180

Brake & Fuel Line, Equipment, Wheel Hardware, Storage  
Solutions, Lighting  
Greg Iorfida  
(330) 734-3979

Tools & Equipment  
Joe Bauschka  
(702) 482-4660

Automotive Shop Equipment  
Alyssa Fowler  
(587) 401-5055

Tire Repair  
Brad Ragland  
(423) 676-8669

TPMS Tool  
Chris Batts  
(800) 762-6002, ext. 4116

Printing  
Lisa Bianchini  
(770) 542-2010

DHC Battery Testers  
Rick Wieda  
(314) 220-9299

**EXHIBIT G**  
**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**APPROVED SUPPLIER LISTING**

**Supplier**

MAGID Gloves  
1300 Naperville Drive  
Romeoville, IL 60446

Mahle/RTI Technologies  
10 Innovation Drive PO Box 3099  
York, PA 17402

Mevotech  
240 Bridgeland Avenue  
Toronto, ON, Canada M6A 1Z4

Midtronics  
7000 Monroe Street  
Willowbrook, IL 60527

MAM Software, Inc.  
Two Valley Square  
512 Township Line Rd., Suite 220  
Blue Bell, PA 19422

Mighty Product Center  
2495 Dr. F.E. Wright Road  
Jackson, TN 38305

Motorad/CST, Inc.  
916 Empire Street, P.O. Box 667  
Mt. Carmel, IL 62863

New Pig Corporation  
1 Pork Avenue  
Tipton, PA 16684

Paychex Flex\*  
911 Panorama Trail South  
Rochester, NY 14625

**Product and Contact**

Personal Protective Equipment  
Bobby Graeber  
(800) 867-1083

Chemical Test Equipment  
Doug Smith  
(248) 719-2720

Chassis/Steering Components, Wheel Bearing  
Assemblies, CV Boot Kits  
Kenny Gross  
(419) 234-1233

Battery and Electrical System Testers  
Austin Hanohano  
(630) 321-8069

Computer Systems  
(610) 336-9045

**Primary Product Lines:** Air Filters, Belts, Brake Pads and  
Shoes, Cabin Air Filters, Drain Plugs and Gaskets, Engine  
Controls, Engine Management, Fuel Filters, Fuses, Ignition  
Wire Leads, Oil Filters (cartridge, 65mm Mexico), Spark  
Plugs, Tensioners and Pulleys, Transmission Filters, Wiper  
Blades

**Auxiliary Product Lines:** A/C Products, Alignment, Battery  
Parts, Bearings and Seals, Brake Drums and Rotors, Brake  
Hardware, Calipers, Caps, Chassis, Chemicals, Hose, Hose  
Clamps, Hydraulics, Lighting, Oil Filters, Oxygen Sensors,  
Test Equipment, Thermostats and Gaskets, Tire Repair,  
TPMS, Wire Sets, Wheel Weights

Miscellaneous: Catalogs, Sales & Marketing Materials

Keith Wilson  
(888) 288-7180

Gas Caps, Oil Caps, Radiator Caps, Thermostats  
Andrew Hoelter  
(815) 355-1551

Oil Absorbent Products  
Jon Gartman  
(814) 686-2310

Payroll, Time & Attendance, Benefits  
Shannon Farnham  
(678) 354-7776 ext. 5225561

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**Supplier**

Osram Sylvania Products, Inc.  
275 W. Main Street  
Hillsboro, NH 03244

Petoskey Plastics  
One Petoskey Street  
Petoskey, MI 49770

Phillips 66  
6727 Theall, Ste. B  
Houston, TX 77066

Phoenix Systems  
1076 East Commerce Dr., Ste 400  
St. George, UT 84790

PPG/Aquapel Products  
51 Dutilh Road, Ste. 310  
Cranberry, PA 16066

Prestige Printing & Graphics\*  
P.O. Box 2245  
Norcross, GA 30091

Prestone  
69 Eagle Road  
Danbury, CT 06810

ProMAX Auto Parts Depot  
26 Westwyn Court Canada  
Brampton Ontario L6T 4T5

Qualis Automotive, LLC  
14528 Bonelli Street  
City of Industry, CA 91746

Rhino Tuff Tanks  
411 West Congress Street  
Maple Lake, MN 55358

Royal Purple/Calumet  
One Royal Purple Lane  
Porter, TX 77365

S.U.R. & R.  
1969 S. Main Street  
Akron, OH 44301

**Product and Contact**

Automotive Lighting  
Customer Service  
(800) 729-3777

Shop Supplies, Plastics  
Adam Ward  
(231) 347-2602

VS7 Chemicals & Lubricants  
Chris Emeott  
(888) 422-9099

Hand-Held Brake & Clutch Bleeder  
Jeremiah Terry  
(435) 216-1879

Glass Treatment  
Dennis Strohauser  
(800) 861-4999 ext. 1

Business Cards, Envelopes, Letterhead  
Bobby Hasler  
(770) 263-8200

Antifreeze  
Jason Hughes  
(904) 861-8910

Brake Drums & Rotors  
Kevin Wells  
(813) 685-0869

Brake Rotors, Drums  
Diane Maurisso  
(859) 689-7772

Fluid Storage and Distribution  
Jason Ramert  
(877) 788-8332

Lubricants & Motor Oil  
Robert Brock  
(859) 797-6393

Repair Kits/Brake Lines  
Robert Joy  
(800) 390-3996

**EXHIBIT G**  
**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**APPROVED SUPPLIER LISTING**

**Supplier**

SC Johnson Professional  
2815 Coliseum Centre Dr. Ste 600  
Charlotte, NC 28217

Schrader International  
205 Frazier Road  
Altavista, VA 24517

Shark Industries  
6700 Bleck Drive  
Rockford, MN 55373

SOCi, Inc.  
804 Las Cimas Pkwy #120  
Austin, TX 78746

Specialty Products Company  
P.O. Box 923  
Longmont, CO 80502

Technical Chemical Company  
3327 Pipeline Road  
Cleburne, TX 76033

Telechem Automotive Products  
6477-D Peachtree Industrial  
Atlanta, Georgia 30360

Trico Products  
1900 Billy Mitchell Blvd Building D  
Brownsville, TX 78521

TSI Supercool  
3574 Corona Street  
Lake Worth, FL 33461

Uquality Automotive Parts  
16411 Shoemaker Avenue  
Cerritos, CA 90703

Warren Distribution  
727 South 13<sup>th</sup> Street  
Omaha, NE 68102

**Product and Contact**

Hand Cleaner & Skin Care Products  
Carl Krimminger  
(704) 357-4272

Schrader TPMS transmitters, tools and accessories  
Mark Russo  
(203) 200-9418

Abrasives, Welding Equipment  
Tia Michelson  
(800) 537-4275

Marketing Solutions  
Sean Smith  
(858) 225-4110

Alignment Parts  
Jeff Morris  
(720) 864-4890

VS7 Chemicals  
Larry Easterlin  
(800) 527-0885

VS7 Chemicals  
Jim Carson  
(770) 451-7117

Windshield Wiper Blades, Refills and Wiper Arms,  
Universal Windshield Washer Pumps, Winter Wiper  
Blades  
Diane Maurisso  
(800) 388-7426

AC Products  
Phil Eggen  
(561) 582-2245

Brake Drums and Rotors  
Arthur Barberian  
(603) 560-2210

Motor Oil  
Tim Weeda  
(402) 658-7695

**EXHIBIT G**  
**MIGHTY DISTRIBUTING SYSTEM OF AMERICA**

**APPROVED SUPPLIER LISTING**

**Supplier**

Warsaw Chemical  
P.O. Box 858  
Warsaw, IN 46581

**Product and Contact**

Mighty Hand Cleaners, Chemical Cleaners  
Cindy Harris  
(800) 548-3396, ext. 2303

Wegmann USA  
1715 Joe B Jackson Parkway  
Murfreesboro, TN 37127

Wheel Weights  
Mike Pursley  
(615) 641-1950 / or (800) 251-1566

***\*These vendors only provide products  
directly to Franchisees and not  
through Mighty's central bill facility.***

**EXHIBIT H**

**CONFIDENTIALITY AGREEMENT**



## CONFIDENTIALITY AGREEMENT

The undersigned ("Candidate") hereby acknowledges receipt of and agrees to hold confidential certain oral and written proprietary information ("Confidential Information") provided by MDSA, LLC d/b/a Mighty Distributing System of America ("Mighty") concerning either a new Mighty Franchise or that certain existing Mighty Franchise currently owned by \_\_\_\_\_. Candidate agrees that it will use the Confidential Information solely for the purpose of determining whether to purchase a Mighty Franchise.

Candidate further agrees that it will show the Confidential Information to, and discuss them with, only those employees, agents or advisors who are necessary to Candidate's determination of whether to make an acquisition proposal and, prior to any disclosure to employees, agents or advisors, shall advise them of this Confidentiality Agreement and obtain their agreement to be bound by its terms. Upon request by Mighty or any agent of Mighty, Candidate will return all Confidential Information, which shall at all times remain the property of Mighty.

Mighty has endeavored to include in the Confidential Information only information which is believed to be reliable and relevant for the purposes of Candidate's evaluation. However, Candidate understands and acknowledges that neither Mighty nor any of its respective officers, directors, employees, owners or other agents shall have any liability to Candidate, or to any of Candidate's outside advisors or consultants, as a result of its use of and reliance upon the Confidential Information.

Candidate further acknowledges that its agreement to maintain the confidentiality of the Confidential Information shall survive the termination of its evaluation of the Mighty Franchise.

ACKNOWLEDGED AND AGREED:

INDIVIDUAL OR CORPORATION:

Date: \_\_\_\_\_

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

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

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

Accepted by MDSA, LLC for itself and, if applicable, the above-named franchisee:

MDSA, LLC

Date: \_\_\_\_\_

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

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

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

**EXHIBIT I**

**STATE ADMINISTRATORS**

## STATE ADMINISTRATORS

### California

Department of Business Oversight  
One Sansome Street  
Suite 600  
San Francisco, California 94104-4428  
(415) 972-8565  
www.dbo.ca.gov

### Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4436

### Maryland

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

### Minnesota

Franchise Examiner  
Minnesota Department of Commerce  
85<sup>th</sup> 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101-2198  
(651) 539-1500

### North Dakota

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fifth Floor, Dept. 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

### South Dakota

Division of Insurance  
Securities Regulation  
124 S Euclid, 2<sup>nd</sup> Floor  
Pierre, South Dakota 57501  
(605) 773-3563

### Washington

Administrator  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, Washington 98507-9033  
(360) 902-8760

### Hawaii

Commissioner of Securities  
Dept. of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2744

### Indiana

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

### Michigan

Franchise Administrator  
525 W. Ottawa Street  
G. Mennen Williams Building, 1st Floor  
Lansing, Michigan 48933  
(517) 373-7117

### New York

Franchise Section Chief  
Investor Protection Bureau  
New York State Department of Law  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8222

### Rhode Island

Chief Securities Examiner  
Department of Business Regulation  
Securities Division  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920  
(401) 462-9527

### Virginia

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, 9th Floor  
Richmond, Virginia 23219  
(804) 371-9051

### Wisconsin

Franchise Administrator  
Division of Securities  
P.O. Box 1768  
Madison, Wisconsin 53701  
(608) 266-2801

**EXHIBIT J**

**AGENTS FOR SERVICE OF PROCESS**

## AGENTS FOR SERVICE OF PROCESS

### California

Commissioner of Business Oversight  
Department of Business Oversight  
One Sansome Street  
Suite 600  
San Francisco, CA 94104-4428

### Illinois

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706

### Maryland

Maryland Securities Commissioner  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020

### Minnesota

Minnesota Commissioner of Commerce  
85<sup>th</sup> 7<sup>th</sup> Place East, Suite 500  
St. Paul, Minnesota 55101

### North Dakota

North Dakota Securities Commissioner  
600 East Boulevard Ave., 5th Floor  
Bismarck, North Dakota 58505-0510

### South Dakota

Director of South Dakota Division of Insurance  
Securities Regulation  
124 S Euclid, Suite 104  
Pierre, South Dakota 57501

### Washington

Director of Financial Institutions  
Securities Division  
150 Israel Rd SW  
Tumwater, Washington 98501

### Hawaii

Commissioner of Securities  
Dept. of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

### Indiana

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204

### Michigan

Michigan Dept. of Commerce, Corporations,  
and Securities Bureau  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913

### New York

Secretary of the State of New York  
99 Washington Street  
Albany, New York 12231

### Rhode Island

Director of Rhode Island Dept. of  
Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, Rhode Island 02920

### Virginia

Clerk of the State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219

### Wisconsin

Wisconsin Commissioner of Securities  
101 East Wilson Street  
4th Floor  
Madison, Wisconsin 53703

**EXHIBIT K**

**ILLINOIS FRANCHISEE DISCLOSURE QUESTIONNAIRE**

(Applicable to prospective franchisees in the state of Illinois only)

## **ILLINOIS FRANCHISEE DISCLOSURE QUESTIONNAIRE**

As you know, MDSA, LLC and you are preparing to enter into a Franchise Agreement for the operation of a Mighty franchise. The purpose of this questionnaire is to determine whether any statements or promises were made to you that MDSA, LLC has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit and schedule attached to it? Yes \_\_\_\_\_ No \_\_\_\_\_
2. Do you understand all the information contained in the Franchise Agreement and each exhibit and schedule attached to it? Yes \_\_\_\_\_  
No \_\_\_\_\_

If no, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary)

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3. Have you received and personally reviewed the Mighty Distributing System of America Uniform Franchise Disclosure Document we provided to you? Yes \_\_\_\_\_  
No \_\_\_\_\_
4. Did you sign a receipt for the Uniform Franchise Disclosure Document indicating the date you received it? Yes \_\_\_\_\_ No \_\_\_\_\_
5. Do you understand all of the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary)

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6. Have you discussed the benefits and risks of operating a Mighty franchise with an attorney, accountant or other professional advisor and do you understand those risks? Yes \_\_\_\_\_ No \_\_\_\_\_
7. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors? Yes \_\_\_\_\_ No \_\_\_\_\_

## **ILLINOIS QUESTIONNAIRE**

8. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise concerning the revenues, profits or operating costs of a Mighty franchise operated by Mighty Distributing System of America, Inc. or its franchisees? Yes \_\_\_\_\_ No \_\_\_\_\_
- 8.A. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise concerning the revenues, profits or operating costs of a Mighty franchise or its franchisees that is contrary to, or different from, the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_
9. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise regarding the amount of money you may earn in operating a Mighty franchise? Yes \_\_\_\_\_ No \_\_\_\_\_
- 9.A. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise regarding the amount of money you may earn in operating a Mighty franchise that is contrary to, or different from, the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_
10. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise concerning the total amount of revenue a Mighty franchise will generate? Yes \_\_\_\_\_ No \_\_\_\_\_
11. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise regarding the costs you may incur in operating a Mighty franchise? Yes \_\_\_\_\_ No \_\_\_\_\_
- 11.A. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise regarding the costs you may incur in operating a Mighty franchise that is contrary to, or different from, the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_
12. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Mighty franchise? Yes \_\_\_\_\_ No \_\_\_\_\_
- 12.A. Has any employee or other person speaking on behalf of Mighty Distributing System of America made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Mighty franchise that is contrary to, or different from, the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_
13. Has any employee or other person speaking on behalf of Mighty Distributing System of America, Inc. made any statement or promise concerning the advertising, marketing, training, support service or assistance that MDSA, LLC will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document? Yes \_\_\_\_\_ No \_\_\_\_\_
14. If you have answered "Yes" to any of questions eight (8) through thirteen (13), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below). If you have answered "No" to each of the foregoing questions, please leave the following lines blank.
- \_\_\_\_\_
- \_\_\_\_\_

## ILLINOIS QUESTIONNAIRE



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You understand that your answers are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

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FRANCHISE APPLICANT

\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_, 20\_\_\_\_

**EXHIBIT L**

**SMALL BUSINESS ADMINISTRATION (SBA) ADDENDUM**

## SBA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum is made and entered into as of this the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_ (“we”, “us” or “our”) and \_\_\_\_\_ (“you” or “your”).

Whereas, the parties hereto entered into a Franchise Agreement dated \_\_\_\_\_ for the ownership and operation by you of a \_\_\_\_\_ franchised business.

Whereas, the parties have agreed that in the event that you seek an SBA guaranteed loan in order to finance the development of the franchised business, that they will enter into this Addendum in order to modify the Franchise Agreement as follows:

1. **CHANGE OF OWNERSHIP.** The parties agree that notwithstanding any other provisions of the Franchise Agreement to the contrary, in the event that there is a proposed transfer of a partial ownership interest in you, we may not exercise a right of first refusal to purchase such a partial ownership interest if the proposed transferee is a current owner or a relative of a current owner of you. In addition, we may not unreasonably withhold our required consent to a proposed transfer, and in the event that a transfer is approved and consummated, the transferor shall have no liability for the actions of the transferee you taking place after the date of such a transfer.
2. **SALE OF ASSETS.** In the event of termination or expiration of the Franchise Agreement, if we choose to exercise a right to purchase your business assets and the parties cannot agree on the value of those assets, then an appraiser chosen by both the us and you shall determine the value. If you own real estate where the franchised premises are located, you shall not be required to sell that real estate to us, but may be required to lease it to us or our designee for the remainder of the franchise term (excluding renewal terms) for fair market value, if the Franchise Agreement has a provision for such a lease.
3. **COVENANTS.** In the event that you own the real estate where the franchised business is located, we may not record restrictions against the use of the real estate, such as restrictive covenants, branding covenants or environmental use restrictions.
4. **EMPLOYMENT.** We shall not directly control your employees, including any aspect of hiring, firing or scheduling of employees.

This Addendum automatically terminates on the earlier to occur of the following: (1) the loan is paid in full; or (2) the SBA no longer has any interest in the Loan. It is agreed that except as specifically modified herein, the Franchise Agreement shall remain in full force and effect, as originally executed and previously amended, if applicable.

We: \_\_\_\_\_

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

You: \_\_\_\_\_

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

### **State Effective Dates**

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

This document is effective and made be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   |                       |
| Hawaii       |                       |
| Illinois     |                       |
| Indiana      |                       |
| Maryland     |                       |
| Michigan     |                       |
| Minnesota    |                       |
| New York     |                       |
| North Dakota |                       |
| Rhode Island |                       |
| South Dakota |                       |
| Virginia     |                       |
| Washington   |                       |
| Wisconsin    |                       |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT M**

**RECEIPT**

**Item 23**

**RECEIPT**

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF MDSA, LLC ("MDSA") OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 DAYS BEFORE YOU SIGN A BINDING AGREEMENT OR MAKE A PAYMENT WITH THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

NEW YORK LAW REQUIRES A FRANCHISOR TO PROVIDE THE FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR PAYMENT OF ANY CONSIDERATION THAT RELATES TO THE FRANCHISE RELATIONSHIP.

MICHIGAN LAW REQUIRES A FRANCHISOR TO PROVIDE THE FRANCHISE 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 MDSA DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY LISTED IN EXHIBIT I.

David McCabe, of MDSA, is a franchise seller offering the franchise. His address is 650 Engineering Drive, Peachtree Corners, GA, 30092, (770) 448-3900.

Josh D'Agostino, of MDSA, is a franchise seller offering the franchise. His address is 650 Engineering Drive, Peachtree Corners, GA, 30092, (770) 448-3900.

Kenneth Voelker, of MDSA, is a franchise seller offering the franchise. His address is 650 Engineering Drive, Peachtree Corners, GA, 30092, (770) 448-3900.

Chris Adams, of MDSA, is a franchise seller offering the franchise. His address is 650 Engineering Drive, Peachtree Corners, GA, 30092, (770) 448-3900.

The date of issuance of this disclosure document is March 31, 2021.

See Exhibit J for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 31, 2021 that included the following Exhibits:

A - Franchise Agreement and Related Materials; B - FRANAD, Inc. Membership Application and Bylaws; C-1 - Audited Financial Statements of MDSA, LLC for the period ended December 31, 2020 and 2019, C-2 - Audited Financial Statements of MDSA, LLC for the year ended December 31, 2019 and 2018; D - List of Current Franchisees; E - List of Former Franchisees; F - Table of Contents of Operations Manual; G - Approved Supplier Listing; H - Confidentiality Agreement, I - List of State Administrators; J - Agents for Service of Process; K - IL Franchisee Disclosure Questionnaire (IL only); L - Small Business Administration (SBA) Addendum; and M - Receipt

**PROSPECTIVE FRANCHISEE**

Date: \_\_\_\_\_

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

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

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

You may return the signed receipt either by signing, dating, and mailing it to MDSA, LLC at 650 Engineering Drive, Peachtree Corners, GA 30092, or by faxing a copy of the signed and dated receipt to MDSA, LLC at (770) 446-8627.

## Item 23

### RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY. IF MDSA, LLC ("MDSA") OFFERS YOU A FRANCHISE, IT MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 DAYS BEFORE YOU SIGN A BINDING AGREEMENT OR MAKE A PAYMENT WITH THE FRANCHISOR OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE.

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IF MDSA DOES NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY LISTED IN EXHIBIT I.

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#### PROSPECTIVE FRANCHISEE

Date: \_\_\_\_\_

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

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

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

You may return the signed receipt either by signing, dating, and mailing it to MDSA, LLC at 650 Engineering Drive, Peachtree Corners, GA 30092, or by faxing a copy of the signed and dated receipt to MDSA, LLC at (770) 446-8627.