FRANCHISE DISCLOSURE DOCUMENT

CALIFORNIA

KOLE, INC.

a California Corporation

2017

KOLE, Inc ("KOLE." or the "Franchisor") dba QUALITY TUNE-UP SHOPS ("QTS"), intends to offer franchises utilizing the QTS business system KOLE's principal business address is 448 Blossom Hill Road, San Jose, CA 95123 and telephone number is (408) 710-6264

KOLE offers to prospective franchisees (referred to as "you'") a system and method for promoting and operating a retail automotive center providing tune-up, lube, oil and filter, smog related services and specific automotive repair products and services The franchised business includes a marketing system, business organization and guidelines for providing services relating to the repair and servicing of new and used automobiles (together referred to as the "QTS System") The initial fee for a new franchise is $25,000 which is paid to KOLE in cash at the time you sign your Franchise Agreement The initial fee is $12,500 paid to KOLE if you are converting an existing automobile repair/service facility to a QTS System Franchise The total investment required to begin operation of a QTS System Franchise would range from approximately $194,050 to $247,800

This Disclosure Document summarizes certain provision of your franchise agreement and other information in plain English Read this Disclosure Document and all accompanying agreements carefully You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale **Note, however, that no governmental agency as 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 Scot Davis, 448 Blossom Hill Road, San Jose, CA 95123, (408) 710-6264

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

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

Issue Date _______, 2017

The Effective Date for this Franchise Disclosure Document is ________, 2017

STATE COVER PAGE

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

Call the state franchise administrator listed in Attachment A for information about the franchisor, or about franchising in your state Any complaint about this Disclosure Document or our website may be directed to the California franchise administrator listed in Attachment A

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

The total investment required to begin operation of a QTS System Franchise would range from approximately $194,050 to $247,800 This amount exceeds the Franchisor's stockholder's equity as of December 31, 2016, which is $35,004

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THIS FRANCHISE DISCLOSURE DOCUMENT ("FDD")

Neither the Franchisor nor any person listed in ITEM 2 of this FDD is subject to any currently effective order of any national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling such person from membership in that association or exchange

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION IN SANTA CLARA COUNTY, CALIFORNIA OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN CALIFORNIA THAN IN YOUR HOME STATE

2 THE FRANCHISE AGREEMENT STATES THAT CALIFORIA LAW GOVERNS THE AGREEMENT, AND CALIFORNIA LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE'S LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THE FRANCHISEE WILL BE REQUIRED TO PROVIDE A FEE DEPOSIT OF TYPICALLY $15,000 - $25,000 (HOWEVER SUCH DEPOSIT COULD BE AS HIGH AS $50,000) SUCH FEE DEPOSIT WILL BE HELD BY FRANCHISOR FOR THE TERM OF

THE FRANCHISE TO COVER ANY UNPAID FEES OR EXPENSES OWED TO FRANCHISOR AT THE TIME THIS FRANCHISE AGREEMENT EXPIRES, IS NOT RENEWED OR IS OTHERWISE TERMINATED

4 YOUR SPOUSE MAY BE REQUIRED TO ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS

5 ALTHOUGH THE INITIAL TERM OF THE FRANCHISE AGREEMENT IS TEN YEARS, THE FRANCHISE AGREEMENT ALLOWS THE FRANCHISOR TO TERMINATE THE AGREEMENT WITHIN THE FIRST YEAR WITHOUT CAUSE

6 THE TERRITORY IS NOT EXCLUSIVE UNDER CERTAIN CIRCUMSTANCES YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM THE FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS

7 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

The Franchisor

To simplify the language in this Offering Circular "KOLE", "we", "our" or "us" will mean KOLE, Inc dba Quality Tune-Up Shops, the franchisor "You" and "yours" will mean the person who buys the franchise whether you are a corporation, limited liability company or other business entity If you are a business entity, certain provisions of this Disclosure Document also apply to your owners and will be noted

KOLE is a California corporation formed in 2002 under the laws of the State of California to carry on the business of repairing, inspecting and servicing new and used automobiles Our principal office is located at 448 Blossom Hill Road, San Jose, CA 95123 We do not currently operate any company-owned QTS businesses, but we retain the right to market to and arrange services for large commercial accounts

We do not operate businesses of the type being franchised under any other name We are not involved in any other business activities

Parents, Predecessor and Affiliates of KOLE

We do not have any parent Scot Davis is part owner of X Q T Corporation which has exclusive rights to certain organizational and promotional applications for the QTS business and the Word and Design "Quality Tune-Up Shops " X Q T Corporation has licensed its rights to KOLE Due to the fact that these exclusive rights currently represent a major portion of KOLE's assets, X Q T Corporation could be deemed a predecessor of KOLE The principal business address of X Q T Corporation is 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, CA 95765

The predecessor to KOLE was and is QT Express, Inc , a California corporation QT Express, Inc sold the business locations which are subleased to Franchisees described in ITEM 20 below QT Express, Inc was incorporated in November of 1986 and had continuously conducted business as a Franchisor of Quality Tune-Up Shops from that date until 2004 when it sold all of its California franchisee businesses to two separate entities, one of which was KOLE QT Express provides no services to franchisees and no longer conducts any business of a type the franchisee will operate The principal business address of QT Express, Inc is 448 Blossom Hill Road, San Jose, CA 95123

Affiliates of KOLE

Franchisees are required to use the bookkeeping services of LASSAL, Inc Scot Davis is corporate secretary of LASSAL, Inc and Mr Davis' wife is employed by LASSAL, Inc

KOLE's Agent for Service of Process

KOLE has authorized Scot Davis, President, 448 Blossom Hill Road, San Jose, CA 95123 to receive legal service of process on behalf of KOLE Additional registered agents for service are listed in Attachment A

General Description of the Market and Competition

We will offer you, as an individual, LLC, partnership or corporation, a franchise agreement (the "Franchise Agreement") which grants you the right to operate a retail automotive center providing tune-up, lube, oil and filter change, smog related services, brake service, and specific automotive repair products and services The Franchise Agreement will also grant you the right to use the Proprietary Marks and the QTS method of business ("QTS System") which together represent the business to be conducted by you (the "Franchised Business")

We retain the right to market and render automotive repair services in Northern California and to contract with and service large commercial accounts (although we do not service any such large commercial accounts at this time) See Section 3 7 of the Franchise Agreement

The QTS System utilizes a unique marketing and operating methodology for use in the automobile service business The QTS System also provides operational guidelines for the operation of such repair facilities The QTS System will include the "Quality Tune-Up Shops" service mark illustrated in Exhibit B to the Franchise Agreement which is included with this Disclosure Document No other service marks, trade names, trademarks, copyrights or other property rights owned by us are a part of the QTS System

Scot Davis has been involved with the Quality Tune-up Shop business for over 20 years He or his predecessor, QT Express, Inc has supervised the operation of several Quality Tune-up Shops for 13 years and has been a Franchisor of Quality Tune-up Shops for fourteen years All of these shops are located in urban areas of Northern California, have approximately 1,500 sq ft of floor space and are located on busy streets KOLE only conducts business in the state of California and presently within the counties of Santa Clara and Alameda

A QTS System franchise, like any other franchised business (or any other business for that matter) unavoidably involves business risks For example, the QTS System will compete with other franchised and privately-owned retail automotive tune-up center businesses, automotive dealerships, large retail chains such as Wal-Mart and Sears, and retail gasoline stations that are permitted by the Bureau of Automotive Repair to conduct similar businesses Your volume, profit, and success are primarily dependent on your ability and efforts as an independent business operator and your success cannot be guaranteed You'll be responsible for an aggressive, proactive local sales effort using potential customer leads and the techniques and methods of the QTS System The most important factors in the success of the Franchised Business are your personal business selling, management, judgment, and other skills as well as your willingness to work hard and follow the QTS System

KOLE currently has six (6) franchised Quality Tune-Up Shops purchased by KOLE from Q T Express, Inc and no shops owned and operated by KOLE Set forth in ITEM 20 is a list of the current QTS Shops, all six of which are owned by Franchisees including name, address and telephone number

Regulations Specific to the Industry

Licenses are issued with respect to the conduct of the Franchised Business by the California Bureau of Automotive Repair ("BAR") and by the California Department of Consumer Affairs ("CDCA") An Automotive Repair Dealer ("ARD") License is required from the California Department of Consumer Affairs and a Smog Check Station License and Technician License(s) are required from the BAR You must comply with all California mandated standards of performance at your business location and are subject to periodic inspection by the CDCA

ITEM 2. BUSINESS EXPERIENCE

Officers and Directors or Managers of KOLE, Inc.

The following person represents the executive officer of KOLE who exercises management responsibility for the marketing and servicing of its franchising activities

Scot Davis - President

Scot Davis has been the President and owner of KOLE since its inception in December 2002 Since its inception, KOLE has been the Franchisor or owner/operator of as many as nine Quality Tune-Up Shops formerly managed by Q T Express, Inc From September 1996 to December 2002, Mr Davis served as vice president of Q T Express, Inc which managed nine franchised Quality Tune-Up Shops His duties included operational oversight and training From June 1992 to May 1995 he served as Field Supervisor for eight ARCO Smog Pros in Southern California

Franchise Selling Agents

Sales of QTS System franchises will be made through the use of officers and employees of KOLE KOLE does not currently anticipate utilizing outside selling agents or brokers

ITEM 3. LITIGATION

On January 18, 2011 KOLE was served with a Complaint filed by Hi Tek Automotive, Inc ("Hi Tek Auto"), a former franchisee of KOLE, in the California Superior Court of Santa Clara County (Case # 111CV192046) Hi Tek Auto made several allegations including ineffective advertising by the Franchisor-approved advertising agency, ineffective bookkeeping by the Franchisor-approved bookkeeping service, inadequate computer training, and improper interference with Hi Tek Auto's business operations The Complaint seeks monetary damages and rescission of the Franchise Agreement KOLE filed an Answer to the Complaint on February 21, 2011 denying the allegations and including a cross complaint against Hi Tek Auto This case was dismissed pursuant to an out-of-court settlement between the parties dated February 17, 2015 Pursuant to the settlement the parties mutually agreed to terminate the litigation with neither party admitting liability or paying any compensation to the other

In July, 2012 Hi Tek Auto's franchise was terminated due to non-payment of franchise fees and in 2013 KOLE filed an unlawful detainer action against Hi Tek Auto The unlawful detainer action went to trial on July 22, 2013 and a verdict was rendered on August 9, 2013 in KOLE's favor and requiring Hi Tek Auto to vacate the premises

Except for the above actions there are no other litigation or administrative proceedings required to be disclosed in this Item of the Disclosure Document

ITEM 4. <u>BANKRUPTCY</u>

No person previously identified in ITEMS 1 or 2 of this Disclosure Document has been involved as a debtor in any proceeding under the United States Bankruptcy Code or under any foreign bankruptcy laws required to be disclosed in this ITEM of the Disclosure Document

ITEM 5. <u>INITIAL FEES</u>

You will pay to us an initial franchise fee of $25,000 (the "Initial Fee"), for your initial franchise and Exclusive Territory The Initial Fee is $12,500 if you are converting an existing automobile repair/service facility which has been in operation for at least two years The Initial Fee for each additional Exclusive Territory acquired will be $25,000 The Initial Fee becomes due and payable at the time we have fulfilled all of our obligations set forth in Article 5 of the Franchise Agreement and your QTS center is open for business (See Section 7 1 of the Franchise Agreement) Failure to pay the Initial Fee when due will result in termination of the franchise and forfeiture of all payments made up to the termination date The Initial Fee is not refundable under any circumstances

The Initial Fee includes licensing rights to the QTS System trademarks, the initial franchise package, initial marketing/technical support during the initial three month period of operation of your Franchised Business and the performance of KOLE's obligations under ITEM 11 of this Disclosure Document You will also be expected to have or acquire all equipment, lifts, tools, supplies and office furniture typically used in an auto service business

In addition, you will pay an initial advertising fee to us of up to $7,500 in order to establish your advertising program and to support the grand opening of your Franchised Business The initial advertising fee becomes due and payable at the time you sign the Franchise Agreement

ITEM 6. <u>OTHER FEES</u>

All fees are uniformly imposed and are non-refundable

A. **Service Fees**

Name of Fee	Amount	Due Date	Remarks[2]
Royalty Fee	10% of monthly Gross Revenues[1]	Fee due monthly on or before the 15th day of the next month	Paid to Franchisor
Administrative Fee	$600	Fee due monthly on or before the 5th day at each month	Paid to affiliated designated bookkeeping service
Advertising Fee	Up to 10% of monthly Gross Revenues[3]	Fee due monthly on or before the 5th day of the next month	Paid to Franchisor for contract advertising costs including an administrative fee paid to Franchisor
Late Fees	The greater of 10% of overdue amount or $300 ($250 for late Advertising Fee)	Assessed on unpaid balance 5 days after due date	Applies to Royalty Fees, Administrative Fees and any other sums owed to Franchisor
Additional Training Requested by Franchisee[4]	Actual cost of wages and expenses incurred by person conducting the additional training	At time additional training commences	Paid to Franchisor
Insurance Premiums[5]	Varies	Per policy terms	Payable to insurance carrier

B. **Renewal Fees**

Name of Fee	Amount	Due Date	Remarks[2]
Renewal Fee	1% of Gross Revenues for prior twelve month period	Payable concurrent with or prior to effective date of renewal	Paid to Franchisor

C. Transfer Fees

Name of Fee	Amount	Due Date	Remarks[2]
Transfer Fee	$10,000 (for each Exclusive Area/Territory Franchise)	Concurrent with request for transfer by Franchisee	Paid to Franchisor Franchisor must consent to transfer Franchisor has a Right of First Refusal respecting any proposed transfer No fee is imposed for transfers to corporations or LLCs formed by you for convenience of ownership

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(1) "Gross Revenue" is defined as all revenue from operating the Franchised Business less sales taxes and certificate fees paid by customer

(2) All fees are imposed and collected by KOLE All fees are non-refundable

(3) At the end of each year a Profits & Loss Statement between Advertising Fees collected and advertising expenditures will be provided

(4) Expense for additional training deemed necessary by Franchisor will be paid by Franchisor Refresher training or training for new techniques or equipment will be provided free of charge by Franchisor (except for your costs of attending such training)

(5) You are required to carry certain minimum amounts of insurance

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR ONE AUTHORIZED LOCATION

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Fee[1]	$25,000	Lump Sum	At the time the Franchise Agreement is signed	KOLE
Initial Marketing Activity[2]	$7,500 (not to exceed)	Cash	At the time the Franchise Agreement is signed	Designated local advertising agency or agent designated by KOLE

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Fee Deposit[3]	$15,000-$20,000	Cash	Prior to or concurrent with start of franchised business Net amount refundable upon termination or expiration	KOLE
Computer Equipment	$10,500	Cash	Prior to or concurrent with start of Franchise	Designated computer supplier
Shop Equipment[4]	$55,000 -$70,000	Cash, secured installment financing or lease	Prior to or concurrent with start of Franchise	To manufacturers, third party sales sources or Lease Company
Leasehold [4] (Signage Upgrades)	$15,000	Cash	Prior to or concurrent with commencement of Franchise	KOLE if it has installed Leasehold improvements, to third parties performing work and providing materials if so contracted
Opening Inventory	$10,000 - $15,000	Cash, financing by third party supplier, except to KOLE for commencing existing onsite inventory, if any	Prior to or concurrent with start of Franchise	Third party from whom purchased or KOLE if starting inventory from KOLE
Royalty Fee - 3 months[5]	$15,000 - $22,500	Lump Sum	Monthly	KOLE
Administrative Fee - 3 months[5]	$1,800	Cash	Monthly	Designated service provider
Advertising & Promotional Fee - 3 Months[5]	$15,000-$22,500	Lump Sum	Monthly	KOLE or designated Advertising Agency
Insurance[6]	$750-$1,500	Per terms of policy	Prior to signing	Insurer
Professional Fees[7]	$500-$1,500	As incurred	As needed	Third Parties

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Misc Opening	$3,000 - $5,000	Cash	Prior to or concurrent with start of Franchise	KOLE or third party providing products or services
Additional Funds - 3 months(8)	$20,000-$30,000	As incurred	As needed	Employees, Expenses & Overhead
TOTALS(9)	$194,050 to $247,800			

Footnotes to table:

(1) The Initial Franchise Fee is $12,500 if prospective Franchisee is converting an existing automobile repair/service facility

(2) The range of initial advertising is based upon the size and the location of your Franchised Business and includes the expected geographical market for customers

(3) This amount is based on the assumed gross revenue per month of the Franchised QTS It is calculated one time at the commencement of the franchise term The Fee Deposit is based on 10% of monthly gross revenue to cover one month of royalty fees, 10% of monthly gross revenue to cover one month of advertising fees, and one month's rental cost The amounts set forth in the table assumes $50,000 of gross revenues per month Based on assumed gross monthly revenue of $50,000, the Fee Deposit would consist of $5,000 (10% of $50,000) to cover one month of royalty fees, $5,000 (10% of $50,000) to cover one month of advertising fees, and one month of premises rent which typically is between $5,000 and $10,000 If the premises rent was $5,000/month, the total Fee Deposit would be $15,000 If the premises rent was $10,000/month, the total Fee Deposit would be $20,000 If the assumed monthly gross revenue amount was higher, the Fee Deposit would be higher but in no event will the total Fee Deposit exceed $50,000 This deposit amount is utilized in the event a franchisee fails to pay such obligations when due and if used, must be replenished by the franchisee

(4) Your obligations as a Franchisee under the Premises Sublease and under any Equipment Lease/Purchase Agreement assigned to and assumed by you as a Franchisee are specified by the relevant lease or agreement and are independent of your obligations under The Franchise And License Agreement

(5) The minimum amount listed for Royalty Fees and Advertising Fees is based upon 10% of an assumed monthly gross revenue amount of $50,000 (ie $5,000 x 3 months = $15,000) The maximum amount listed for Royalty Fees and Advertising Fees is based upon 10% of an assumed monthly gross revenue amount of $75,000 (ie $7,500 x 3 months = $22,500) The Administrative Fee assumes a monthly set fee of $600 (ie $600 x 3 = $1,800)

(6) Section 15 of the Franchise Agreement requires that you have in force an insurance policy prior to commencing the Franchised Business, acquired at your sole expense, protecting both you and KOLE and its officers and employees, against losses and with the limits described The figures in the table are estimated annual premiums for the minimum amount of insurance required by the Franchise Agreement

(7) This amount reflects the use of an attorney, accountant and other consultants both in the purchase of a franchise and in the operation of the QTS System for up to three (3) months

(8) You will need capital to support ongoing business expenses The lower dollar amount assumes you are converting an existing car servicing business which is expected to require only minimal additional operating capital The higher dollar amount assumes the commencement of a new Franchised Business, including deposits, business licenses, and on-going expenses for the start-up phase of the business which is calculated to be three months This is only an estimate, however, and there is no assurance that additional working capital will not be necessary to fund your Franchised Business during this start-up phase or afterwards

(9) Assumes costs and fees incurred for the first three months of operation of one Franchised Business KOLE relied on the 20-year experience of its officer in the Quality Tune-Up business when preparing these figures You should review these figures carefully before purchasing the Franchise and assuming the related obligations

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A In general, and as is true in many franchise systems, you're required to only use those forms, supplies, inventory and techniques as are specified by us and must purchase those items only from us or from authorized suppliers designated by us The Operations Manual will provide specifications and standards required relating to products and services offered by franchisees Any changes or modification of such specifications or standards will be reflected in revisions of the Operations Manual We will seek to negotiate the purchase of products and services on terms deemed beneficial to our franchisees The use of products and services approved by us is a prerequisite for the granting of franchise renewal or additional territories

You must pay a monthly advertising fee to us or an agent selected by us for your required monthly advertising fee The Franchisor will be paid an administrative fee of $150 per shop per month for reviewing advertising material and preparing necessary reports During 2016 the Franchisor collected $365,361 in advertising fees and disbursed $360,048 for advertising services including $7,430 which was paid to an affiliate LASSAL, Inc (of which Scot Davis is an officer and his wife is an employee) as an administrative fee and bookkeeping services Payments to LASSAL, Inc for services represented 2 0% of Franchisor's total franchise revenue in 2016

You must contract with the bookkeeping service selected by KOLE for your administrative/recordkeeping services for at least the first two years of your Franchise term Bookkeeping services are currently provided by LASSAL, Inc of which Scot Davis is an officer and his wife is an employee The Administrative Fee is $600 per month During 2016, three franchisees were utilizing the bookkeeping services of LASSAL and paid a total of $16,200 for such services

You must purchase and maintain a special POS computer system designed for use with the QTS System

You must purchase your parts inventory from manufacturer(s) or supplier(s) of parts approved by us

You must purchase your petroleum products from the local distributor for Havoline/Chevron (Hunt&Sons) You may purchase equivalent or better petroleum products from another supplier upon approval by us

You must purchase equipment from a national manufacturer(s) and supplier(s) of equipment approved by us and acceptable to the California BAR and California Department of Consumer Affairs or any other regulator agency, federal or state

You must lease or purchase your waste petroleum products equipment and pick-up and disposal services from an EPA certified waste company which is approved by us

B We intend to require that the design and operation of your Franchised Business be in compliance with the quality standards of the QTS System and will periodically update our operating guidelines to reflect changes and improvements in operating procedures, equipment, and products used with the QTS System We may in the future periodically negotiate purchase arrangements with additional or replacement suppliers of some equipment and products for the benefit of franchisees

Other than the list of approved service providers set forth above, we have no other required suppliers for goods and services relating to your Franchised Business However, we may, in the future, approve new suppliers or a limited number of suppliers and may concentrate purchases with our use of one or more suppliers to obtain lower prices, advertising support, other benefits, or for other reasons deemed appropriate by us in our sole discretion and business judgment

Certain suppliers may make payments or grant rebates to us because of the volume of transactions with franchisees, although there are no arrangements in place at the present time Any such payments from suppliers in the future will be retained by us and used for program development or other corporate purposes At this time, we have no arrangement to derive revenues from any designated supplier

If you would like to use any products or services in establishing and operating the franchised business that we have not approved, you must first send us sufficient information, specifications and samples for us to determine whether the products or services comply with our standards and specifications or the supplier meets our approved supplier criteria We will absorb the expenses to evaluate products, services or suppliers We will decide in our sole discretion, within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or sell the products or services from the supplier Our criteria for approving or revoking approval of products or suppliers includes the supplier's ability to provide sufficient quantity of products, quality of products or services at competitive prices, production and delivery capability, and dependability and general reputation

Periodically, we may review our approval of any products, services or suppliers We will notify you if we revoke our approval of products, services or suppliers, and you must immediately stop purchasing disapproved products or services, or must immediately stop purchasing from a disapproved supplier Additionally, we may negotiate pricing arrangements, including volume discounts on behalf of our franchisees with our suppliers

We estimate that approximately 25% to 50% of your expenditures for leases and purchases in establishing your Franchised Business will be for goods and services that must be purchased from an approved supplier or according to our standards and specifications We estimate that approximately 20% to 45% of your expenditures for leases and purchases in establishing your conversion franchise will be for goods and services that must be purchased from an approved supplier or according to our standards and specifications We estimate that approximately 15% to 25% of your expenditures on an ongoing basis will be for goods and services that must be purchased from either an approved supplier or according to our standards and specifications

We do not provide material benefits to you (including renewal rights or the right to additional franchises) based on whether you purchase through the sources we designate or approve Presently we have no purchasing or distribution cooperatives currently serving our QTS System

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

A. Quality Tune-Up Shops - Franchise Agreement

Obligation	Section of Agreement	Disclosure Document Item
a Site selection and acquisition/lease	Article III, Section 4 1	
b Pre-opening purchases/ leases	Sections 4 1 and Article VII	Items 5 & 7
c Site development and other pre-opening requirements	None	
d Initial and ongoing training	Article V	Item 11
e Opening	Sections 5 2 and 7 3	Item 11
f Fees	Article VII and VIII	Items 5 & 6
g Compliance w/standards and policies	Article VI and XIV	Items 13, 14 & 15

Obligation	Section of Agreement	Disclosure Document Item
h Trademarks and proprietary information	Article XI	Items 13 & 14
i Restrictions on products/ services offered	Article IX (Advertising), Article XII (Parts, Accessories and Equipment)	Item 8 & 16
j Warranty and customer service requirements	Section 20 1(M)	Item 9
k Territorial development and sales quotas	None	
l Ongoing product/service purchases	Article XII	Item 8
m Maintenance, appearance & remodeling requirements	Article VI	None
n Insurance	Section 15 4	Item 7
o Advertising	Article IX	Items 6 & 7
p Indemnification	Sections 15 3 and 21 2 and Exhibit “E” of Franchise Agreement	None
q Owner's participation/ management/ staffing	Sections 6 3 and 6 4	Item 15
r Records/reports	Section 10 2	None
s Inspections/ audits	Section 6 7, 10 2(G)	Item 11
t Transfer	Article XVI	Item 17
u Renewal	Section 2 1 and 2 3	Item 17
v Post-termination obligations	Article XX	Item 17
w Non-competition covenants	Section 20 1 and Exhibit “C” and “D” of Franchise Agreement	None
x Dispute Resolution	Article XXII	Item 17
y Exclusive Territory	Section 1 1, Article III and Exhibit “A” of Franchise Agreement	Item 12

ITEM 10. FINANCING

We do not offer any financing arrangements, directly or indirectly, to you for the acquisition or operation of a QTS System Franchise

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTIZING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, KOLE is not required to provide you with any assistance

A. Our Obligations Prior to Opening

Prior to commencing the Franchised Business, we will do the following

1) approve your Authorized Location(s) and negotiate your Exclusive Territory (Article III and Exhibit "A") You will be permitted to select your Authorized Location If you have an existing car service business, your Authorized Location would be your existing place of business Your Authorized Location will be located in the designated Exclusive Territory within which you are expected to concentrate your marketing efforts and business activities Our policy will be to designate one Authorized Location in any given Exclusive Territory

2) enter into a Sublease Agreement between KOLE as Sublessor and You as Sublessee for your business location (Article IV)

3) review any prospective franchisee as to our requirement to (i) be employed full-time in a Quality Tune-up Shop business for not less than six (6) months, or longer, in our sole discretion, or (ii) require that any prospective franchisee have at least two (2) years of prior experience in the operation and/or management of a business that we, in our discretion, determine constitutes qualification of the proposed franchisee to conduct the Franchised Business or (iii) have such other experience or background that we in our discretion determines constitutes sufficient qualification of the proposed franchisee to conduct the Franchised Business under the terms of this Agreement

   For purposes of the exercise of our discretion with respect to a prospective franchisee having prior experience in the ownership and/or management of a business that qualifies you, we will require you to provide a written history that can be reasonably verified by us that you have participated in the ownership and/or management of the conduct of a business(s) prior to your applying for the Franchise from us and that such described experience would reasonably satisfy us as to your ability to be able to perform the obligations imposed upon you under the terms of the Franchise Agreement If you fail to meet one or more of the above pre-qualifications you will not be sold a QTS franchise

4) provide you, at your cost, with our QTS System computer hardware and software and your opening inventory of automotive parts and supply

5) provide you with specifications for remodeling and equipping the approved location with a list of required equipment and improvements which you are required to purchase and install

6) provide to you on-site assistance and guidance to assist you with the opening of the Franchised Business (Section 5 2)

7) provide to you, on loan, one copy of the Quality Tune-up Shops Operations Manual The Table of Contents of the Operating Manual is included as Exhibit 3 to this Disclosure Document (Section 6 3)

B. Expected Days to Commence Operations

The typical length of time between the signing of the Franchise Agreement and commencing the Franchised Business is 30 to 120 days This time will vary depending on whether you are converting an existing car service business or establishing a new one Other factors which could affect the time between signing the Franchise Agreement and commencing the Franchised Business include the time necessary to identify a suitable location, obtain financing, the time necessary to acquire necessary office and shop equipment and furnishings, purchase an initial inventory of supplies, hire necessary personnel, and obtain necessary local business permits, insurance, etc

C. KOLE's Obligations During Franchise Operation

During the operation of the Franchised Business, we will do the following

1) during the first 90 days of operation of your Franchised Business, we will, provide assistance in support of your grand opening as a QTS Franchisee and provide assistance to you, at mutually agreeable times, at your place of business, and provide such other assistance as you may request Thereafter, we will provide additional assistance when we deem necessary or if requested from time to time by you (Section 5 2)

2) make modifications to the QTS System as necessary Such modifications could include new products, trademarks, procedures, other enhancements to the QTS System, but will not alter your status and rights under the Franchise Agreement (Section 6 4(D))

3) use our best and commercially reasonable efforts to

a) maintain the reputation of the QTS System,

b) defend the Marks licensed with the QTS System (Article XI)

4) provide on-going training and support as deemed necessary

5) if and when deemed appropriate, establish and promote a regional/statewide advertising program for the QTS System

6) as and when deemed appropriate, sponsor franchisee meetings, conferences and refresher training (Section 5 3(D))

7) The Franchisee must participate in the joint advertising arranged by the designated advertising agency with the expenditures/fees to be paid by Franchisee as provided for in the Franchise Agreement (Article X) You may, in addition, develop advertising materials for your own use at your own cost, however, no advertising materials of any type or nature may be used except with our prior written consent, both as to form and content and, as well, as to media and geographical area of use In said event, any such advertising materials shall also be available to us for our use or inclusion in the advertising expenditures for other QTS Franchisees You shall maintain in the telephone directory yellow pages within your exclusive territory at least one advertisement of not less than one column inch in the form prescribed by us or the designated advertising agency We currently do not have any advertising cooperatives or advertising council composed of franchisees (Section 10 5)

8) A service provider selected by us will provide administrative and accounting services for which you are required to contract at a current monthly charge of $600 00 per month We may, by prior written notice, change the amount of the fixed fee for such services or may change the fixed fee to a percentage of gross revenues of Franchisees (Section 8 2)

9) You are restricted from establishing a presence on, or marketing using, the Internet without our consent We have an Internet website at the uniform resource locator www qualitytuneup com that provides information about the System and about Quality Tune-up Shops franchises We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements You may be requested to provide content for our internet marketing and you must follow our intranet and Internet usage rules, policies and requirements We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other

arrangements We retain the sole right to approve any linking to, or other use of, the Quality Tune-up Shops website (Section 10 3 (B) and (C))

We will endeavor but are not required to make available to you, from time to time, various advertising and promotional material which we may create However, you will be primarily responsible for all Franchise advertising

D. Computer System

You must purchase and use any hardware and software programs we designate Presently, we require you to obtain the following Sage hardware and software for use in the Franchised Business

Required Hardware
(1) Server/Cashier Station computer with CD backup and modem
(1) 17" Flat Panel Cashier Touchscreen Monitor
(1) 2-Drawer Laser report/Invoice Printer
(1) Electronic Cash Drawer
(1) Uninterruptible Power Supply Battery Backup
(1) New Center Installation Kit

Required Software
Point-of-sale functions for customer invoicing
Business management functions for employee productivity tracking and inventory control
Web-Central Office Center Processing Module
Web-Central Office Shared Customer and Service History
Chek-Chart Lubrication guide with service recommendations

The approximate cost of the hardware and software is $10,500 This cost is included in the category of "Computer Equipment" in Your Estimated Initial Investment chart in ITEM 7

You do not have to enter into any ongoing maintenance or support agreements for the maintenance of a computer, but you may find it advantageous to do so You may periodically be required to update or upgrade computer hardware and software, if we believe it is necessary We may introduce new requirements or modify our specifications and requirements for computer and point-of-sale systems There are no limits on our rights to do so, except as disclosed in ITEM 16 We have the right to independently access all information you collect or compile at any time without first notifying you (Section 6 3(B))

E. Training by Us

Due to the pre-qualifications required of a prospective franchisee as specified above, the prospective franchisee is expected to have significant knowledge and experience in the operations of the Franchised Business Consequently, we do not offer pre-opening training to you

For all additional training courses, seminars, and programs which we deem necessary, we will provide, at no charge to you, instructors and training material, and you or your employees will be responsible for any and all other expenses incurred by them in connection with attending any such courses, seminars, and programs, including the costs of transportation, lodging, meals and wages We may allow a Franchisee to provide such training locally to employees For additional training requested by you for new employees, you will pay a training fee per hour plus expenses for the instructor(s) (Sections 5 3 and 5 4)

F. Advertising of Franchised Business

As indicated above, each franchisee will be required to utilize the services of a regional advertising agency familiar with the QTS business and designated by us We will collect a Monthly Advertising Fee of up to 10% of each Franchisee's monthly gross revenues and contract with each advertising agency on your behalf Company-owned Centers will contribute Monthly Advertising Fees on the same basis as franchisees The advertising agency will implement advertising applicable to each franchisee's protected territory which may include some regional advertising covering more than one franchisee's protected territory Each month the advertising agency will provide to you a proposed budget showing the cost and type of advertising for which your advertising fee will be expended Advertising will involve multi-media channels including print ads, coupons, Groupons, radio spots, internet messages, and other forms of advertising In 2016 the advertising funds were expended as follows 19% for local print advertising including mailers, flyers, 53% for regional advertising including internet and newspaper advertising, 3% for trademarked signage and stationary, and 23% for audit and administrative fees The advertising fund financial statements relating to the advertising funds are available to franchisees We have no obligation to spend any specific amounts on advertising in your protected territory Your monthly advertising and promotional fees will be used exclusively to advertise and promote your Franchised Business No advertising funds will be used to sell new franchises Any advertising funds not spent during a particular fiscal year will roll-over to be spent in the following fiscal year

There is no Cooperative Advertising program for the benefit of franchisees located within a particular geographic or economic region However, we have the right, if we so choose, to create such a program in the future If such a program is instituted in the future, each franchisee in the region would be required to contribute a portion of its monthly advertising fee to such program The types of advertising to be utilized by such a Cooperative Advertising program would be determined by a regional ad agency selected by us

You are not required to participate in any other advertising fund

You may conduct your own advertising, in addition to that developed by the regional advertising agency so long as all such advertising must first be submitted to and approved by us as to copy, form and content

There is no advertising council composed of franchisees at the present time

ITEM 12. TERRITORY

The QTS Franchise Agreement grants exclusive territorial rights to you You will select your Authorized Location which will be located in your designated Exclusive Territory The designated Exclusive Territory for your Franchised Business will be determined by negotiations between you and us Generally, if you operate an existing car service business, the Exclusive Territory will usually consist of your established marketing and service area There are no sales quotas or other conditions to maintaining you Exclusive Territory

Your Authorized Location and Exclusive Territory designation will be set forth in Exhibit A to the Franchise Agreement

You will operate from one Authorized Location and cannot relocate without our prior written consent Under normal circumstances, we will not give our consent unless the Master Lease for your location ends or is terminated In the event a Lease ends or is terminated prior to the termination of the Franchise Agreement and you are not in default under the Franchise Agreement or the Sublease, we will make a reasonable good faith effort, with your cooperation, to locate and agree on a new location and Premises Lease and Sublease

Except as otherwise provided in the Franchise Agreement, during the term of the Franchise Agreement we will not establish or operate, nor license any other person to establish or operate, a car service business under the QTS System at any location within the area designated as your Exclusive Territory We retain the right, among others, to establish and operate, and license others to establish and operate a car service business under the QTS System at any location outside your Exclusive Territory We also retain the right to advertise for, contract with and service commercial accounts wherever they may be located "Commercial accounts" are defined (for purposes of this Franchise) as commercial or corporate accounts which include multiple or ongoing car servicing requirements We will negotiate contracts with and service such commercial accounts ourselves (or through an affiliated entity) *However*, we will offer the servicing of such account to a qualified Franchisee having its exclusive territory in the same geographic area as the servicing facilities of such commercial account on a right of first refusal If a Franchisee agrees to undertake the servicing of such account, it will be on the terms and conditions negotiated for such commercial account

You will be expected to limit your selling efforts and servicing of customers within your designated Exclusive Territory although you may service customers from outside your Exclusive Territory However, you will be required to limit references to your business location to your Authorized Location(s)

ITEM 13. TRADEMARKS

We will grant you the right to operate a Franchised Business under the name "Quality Tune-Up Shop", "Quality Tune-Up Shops" and "Quality Car Care Center" and the Marks associated with such names and other Marks we may authorize you to use in the future

The Name(s) and Mark(s) "Quality-Tune-Up Shop" and "Quality Tune-Up Shops" and design are registered on the Principal Registry with the United States Patent and Trademark Office ("PTO"), Registration No 1,343,319 registered on June 18, 1985 and Registration No 1,346,764 registered on July 2, 1985 Affidavits for first renewals were filed with the PTO on March 4, 2005 for Registration No 1,343,319 and September 10, 2004 for Registration No 1,346,764 The Name(s) and Mark(s) "Quality Tune-Up Shops" and design is registered under Registration No 12517 with the California Secretary of State

The Name and Mark "Quality Car Care Center" is registered on the Principal Registry with the PTO, Registration No 4,835,233 registered October 20, 2015

There are no currently effective material determinations by the US Patent and Trademark Office, the trademark Trial and Appeal Board, or any other trademark administrator or court relating to the Marks There are no pending infringement, opposition or cancellation proceedings relating to the Marks There is no pending material federal or state litigation involving our use or ownership of the Marks

The Names and Marks "Quality Tune-Up Shop" and "Quality Tune-Up Shops" are owned by X Q T Corp which has licensed the use of such Name(s) and Mark(s) to KOLE No agreements limit KOLE's right to use or license the use of the Name(s) and Mark(s) in the manner provided for herein The Name and Mark "Quality Car Care Center" is owned by KOLE

Your use of the Name(s) and Mark(s) shall be solely as authorized by us and not otherwise You shall not use the Name(s) or Mark(s) of Quality, either at the Authorized Location or elsewhere, including use in advertising, until first approved in writing by us both respecting the form as well as the choice of media where applicable and geographical area of distribution

There are currently no superior rights or infringing uses actually known to us that could materially affect your use of the "Quality Tune-Up Shops" Name or Mark in Northern California

We will make commercially reasonable efforts to protect your rights to use the Name(s) and Mark(s) If any infringement of, or challenge to, your use of the Name(s) or Mark(s) should occur, you are obligated to immediately provide us with written notice of the same We will then have the sole discretion to take and control such action including any administrative proceeding or litigation as we deem appropriate The Franchise Agreement requires us to protect and defend the use of all franchise related trade names and service marks to the extent commercially reasonable Furthermore, we will indemnify you for any costs related to your involvement in any action involving the Name(s) or Mark(s) You agree to indemnify us for any expenses or damages relating to your improper or unauthorized use of any licensed Name(s) or Mark(s)

You can only use the Marks as authorized in the Franchise Agreement or as otherwise authorized in writing by us Among other restrictions, you may not use the Names or Marks

A As part of your corporate name

B With modifying words or designs

C On any papers, vehicles, clothing, etc except as authorized by us

D In connection with the sale or rendering of any unauthorized services

E In any way which is unethical or may be injurious to this Franchise or to the goodwill associated with the Marks

F Without using the designation ®, ™, ℠ or other trademark registration notice

We reserve the right to substitute different proprietary marks for use in identifying the Franchised Business at our sole discretion We will have no obligation or liability to you as a result of such substitution

You irrevocably agree not to contest, directly or indirectly, our ownership, title, right, or interest in our trade name, and any trademarks, trade secrets, service marks, methods, procedures, and advertising techniques which are a part of the QTS System or to contest our sole right to register, use or license others to use such trade names, trademarks, service marks, trade secrets, methods, procedures, and techniques in this State

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

A. Patents and Copyrights

No patents are material to the franchise We own copyrights in the Operations Manual, our website, our marketing materials and other copyrightable items that are part of the QTS System While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Register of Copyrights You may use these items only as we specify while operating the franchised business and you must stop using them if we direct you to do so

To our knowledge, there are currently no effective determinations of the U S Copyright Office or any court regarding the copyrighted materials Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use

B. Proprietary Information

We assert proprietary information protection (as "trade secrets") for all material provided by us to you for use in conjunction with the QTS System and any material, data, including customer lists, developed by you while a QTS Franchisee You must treat all materials created for or approved for use in the operation of the QTS System, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential You must not copy, duplicate, record or otherwise reproduce these materials accept as necessary for the operation of your Franchised Business, or make them available to any unauthorized person

We may from time-to-time revise the procedures or standards of the QTS System and you must comply with each new or changed standard You must ensure that your Franchised Business is in compliance with all current standards at all times

You must not, during the term of the Franchise Agreement or after the term of the Franchise Agreement, communicate, divulge, 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 QTS System which may be communicated to you or of which you may be apprised by virtue of your operating under the terms of the Franchise Agreement (including information, knowledge, or know-how concerning vehicle servicing processes, techniques and equipment) You may divulge this confidential information only to those of your employees as must have access to it in order to operate or provide services to the Franchised Business Any and all information, knowledge, know-how, techniques, and other data which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement

All of your owners, officers, directors, and managers having access to confidential information must sign a confidentiality agreement (see Exhibit C to the Franchise Agreement) We will be a third-party beneficiary of these agreements and will be entitled to equitable remedies, including restraining orders and injunctive relief, in order to protect our confidential information, trade secrets, and the Names and Marks

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the QTS System that we may choose to adopt and/or disclose to other franchisees, and you hereby assign and agree to assign to us all right, title and interest in and to any intellectual property so developed Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the QTS System You must also assist us in obtaining intellectual property rights in any concept or development if requested

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

We expect you to devote substantial time and best efforts to the management and operation of the Franchised Business Furthermore, as the manager for the Franchised Business, you must have background and experience required under Item 11, Section A 3 above If you are an individual, you must actively supervise and participate in the Franchised Business at the shop location on a full-time basis Generally individuals can be Franchisees A Franchisee may, with the prior consent of KOLE, conduct the business of the Franchise through a corporation, limited liability company or general partnership, however, you will remain responsible for all of the obligations under the Franchise Agreement during its full term (Franchise Agreement – Section 16 5)

You will also be obligated under the Confidentiality and Non-disclosure Agreement and the provisions of the Franchise Agreement You must not engage in or have a financial interest in any business that conflicts with your obligations to the Franchised Business or any business that competes with the Franchised Business

You must ensure that your employees comply fully with all applicable terms of the Franchise Agreement including but not limited to, maintaining all trade secrets, not competing with the Franchised Business and safeguarding all QTS System documents, procedures, etc provided to you by us

You are expected to participate in franchisee meetings, seminars, conferences or supplemental training sponsored by us

ITEM 16. RESTRICTION ON WHAT THE FRANCHISEE MAY SELL

To participate in the QTS System, you must agree to sell and provide only such services and products as have been approved by us (unless otherwise authorized), sell and provide all types of services and products specified by us, avoid deviating from the standards and specifications of the QTS System, except with our consent, keep the Franchised Business open and operating during normal business hours or for such minimum hours and days as we may specify, and refrain from operating any competing car service business during the term of the Franchise Agreement (unless otherwise authorized)

You must operate the Franchised Business in strict compliance with all applicable federal, state and local laws, ordinances and regulations including maintaining the appropriate BAR and business licenses It is your responsibility to inform yourself of local requirements and to adhere to them

In order to be able to respond to the changing marketplace, new technologies and competitive forces, we retain the absolute right to change, modify, or add to the type of services or products offered or supplies used by the Franchised Business With regard to the QTS

System, guidelines and procedures will be updated as necessary to identify the selected suppliers, service providers, new products and services currently available to franchisees You must comply with all of our reasonable requirements in that regard, including using and selling new or different auto service related products or services as specified by the QTS System with the exception of non-renewing franchisees nearing the end of their franchise term

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION OF THE FRANCHISE RELATIONSIHIP

The following table lists certain important provisions of the Franchise Agreement You should read these provisions in the Agreement attached to this Disclosure Document

Provision	Section in Franchise Agreement	Summary
a Length of the Franchise term	Section 2 1	Up to ten (10) years
b Renewal or extension of the term	Section 2 1	Renewal means continuing the Franchised Business for an additional term of ten (10) years each, subject to contractual requirements which could be materially different from the terms and conditions in your original contract
c Requirements for you to renew or extend	Section 2 3	Notice, compliance with existing Franchise Agreement, execute new Franchise Agreement, pay renewal fee and others
d Termination by you	Section 2 2	At the end of 6th year or 10th year with notice, payment of all amounts due, compliance with Franchise Agreement
e Termination by us without cause	Section 2 1A	Franchisor may terminate Franchise during the first year of Franchise Term
f Termination by us with cause	Article XIX	Failure to comply with Franchise Agreement
g "Cause" defined-defaults which can be cured	Section 19 1 and 19 3	Breach of Franchise Agreement but you can avoid termination if you cure the breach within time permitted
h "Cause" defined-defaults	Sections 19 1 and 19 2	Breach of Franchise Agreement

Provision	Section in Franchise Agreement	Summary
which cannot be cured		and other specified grounds which allow immediate termination without giving you an opportunity to cure the breach
i Your obligations on termination/nonrenewal	Sections 19 6 to 19 8, Article XX	Obligations include stop using QTS System's Marks and QTS System, return of all materials relating to QTS System Comply with post-termination covenants and pay all amounts due[1]
j Assignment of contract by us	Section 16 1	Notice and suitable transferee
k "Transfer" by you- definition	Article XVI	Includes transfer of interest in Franchise Agreement and upon change of business ownership or change of control of entity
l Our approval of transfer by you	Section 16 2	We have right to approve/disapprove transfer
m Conditions for our approval of transfer	Section 16 4	Includes payment of money owed, no breach, execution of release, transferee suitability, execution of new Franchise Agreement by transferee
n Our right of first refusal to acquire your business	Section 16 6	Terms equal to best third party offer
o Our option to purchase your business	Section 2 1A,16 6, and 19 6	If Franchisor terminates Franchise after first year or you wish to sell you Franchised Business we have option to buy your business by matching bona fide third party offer
p Your death or disability	Section 16 7	In the event of death, disability or sale by Principal, we have option to buy your business at Valuation Price
q Non-competition covenants during the term of the	Article XIV	No participation or ownership in other car service or related

[1] Various states, including California, have statutes or regulations which may supersede or supplement the Franchise Agreement See Exhibit "D" to the Franchise Agreement which provides to what extent the Franchise Agreement will be modified or superseded by statutes or regulations of your state

Provision		Section in Franchise Agreement	Summary
	franchise		business except with our consent
r	Non-competition covenants after the franchise is terminated or expires	Section 20 1(F)	Prohibits use of confidential information and Trade Secrets in a competitive business for five (5) years after termination in the relevant Exclusive Territory[(1)]
s	Modification of the franchise agreement	Section 6 4(D)	The Franchise Agreement can be modified only by written agreement between you and us We can modify and change the QTS System
t	Integration/merger clause	Section 24 3	Only the terms of Franchise Agreement are binding (subject to state law) and includes a confidentiality agreement Any representations or promises outside this Disclosure Document and Franchise Agreement may not be enforceable
u	Dispute resolution by arbitration or mediation	Article XXII	Mandatory arbitration required in county in California in which we maintain our principal office
v	Choice of forum	Sections 22 1 and 22 6	Santa Clara, California, unless otherwise specified by state law but Federal Arbitration Act may pre-empt state law
w	Choice of law	Section 24 1	Law of state of California

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

The provisions in the Franchise Agreement which provide for termination upon bankruptcy of a franchisee may not be enforceable under federal bankruptcy law (11 U S C Section 101 et seq)

Management and other supervisory personnel of Franchisee having access to QTS System's confidential information will be required to sign a Confidentiality and Nondisclosure Agreement See Exhibit C to Franchise Agreement

If a married individual is purchasing this Franchise, the individual's spouse will be required to sign a Spousal Consent acknowledging the individual Franchisee's obligations and Franchisor's rights provided for in the Franchise Agreement, including the death or divorce of the individual Franchisee

ITEM 18. PUBLIC FIGURES

There are no present or contemplated arrangements with any public figures to endorse or promote the QTS System's 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 this ITEM 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances

WE DO NOT MAKE ANY REPRESENTATIONS ABOUT A FRANCHISEE'S FUTURE PERFORMANCE OR PAST FINANCIAL PERFORMANCE OF FRANCHISED OUTLETS IN THIS DISCLOSURE DOCUMENT WE ALSO DO NOT AUTHORIZE OUR EMPLOYEES OR REPRESENTATIVES TO MAKE ANY SUCH REPRESENTATIONS EITHER ORALLY OR IN WRITING IN CONJUNCTION WITH THIS DISCLOSURE DOCUMENT IF YOU ARE BUYING AN EXISTING SHOP, HOWEVER, WE MAY PROVIDE YOU WITH ACTUAL RECORDS OF THAT SHOP If you receive any other financial performance information or projections of your future income in conjunction with this Disclosure Document, you should report it to the Franchisor's management by contacting Mr Scot Davis, 448 Blossom Hill Road, San Jose, CA 95123, (408) 710-6264, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2014 TO 2016				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net change**
Franchised	2014	7	7	0
	2015	7	7	0
	2016	7	6	-1
Company-Owned	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Total Outlets	2014	7	7	0
	2015	7	7	0
	2016	7	6	-1

Table 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2014 TO 2016		
State	**Year**	**Number of Transfer**
California	2014	0
	2015	1
	2016	0
Total	2014	0
	2015	1
	2016	0

Table 3

STATUS OF FRANCHISE OUTLETS FOR YEARS 2014 TO 2016								
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Terminations**	**Non-Renewals**	**Reacquired by Franchisor**	**Ceased Operations – Other Reasons**	**Outlets at End of the Year**
California	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
	2016	7	0	1	0	0	0	6
Total*	2014	7	0	0	0	0	0	7
	2015	7	0	0	0	0	0	7
	2016	7	0	1	0	0	0	6

*As of the date of this Disclosure Document, there are six franchise locations opened There was one franchisee terminated, and no franchisees cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with us within 10 weeks of the Disclosure Document issuance date If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

Table 4

STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2014 TO 2016							
State	**Year**	**Outlets at Start of Year**	**Outlets Opened**	**Outlets Reacquired from Franchisee**	**Outlets Closed**	**Outlets Sold to Franchisee**	**Outlets at End of the Year**
California	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total*	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

Table 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2016			
State	Franchise Agreements signed but Outlet Not Yet Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	0	0
Total	0	0	0

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the QTS Franchise System You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you During each of the last three fiscal years, all new and renewing franchisees were required to sign a Confidentiality and Nondisclosure Agreement During each of the last three fiscal years, no current or former franchisee was required to sign a confidentiality clause restricting their ability to speak openly about their experience as a franchisee with the QTS Franchise System

QUALITY TUNE-UP FRANCHISEE LIST
AS OF DECEMBER 31, 2016

Shop #	Franchisee	Address	Phone
4	Suhkwinder Cheema	3146 S Bascom Ave San Jose, CA 95124	(408) 377-4764 Phone (408) 377-7691 Fax
7	Super Auto Care Services, LLC	3105 McKee Rd San Jose, CA 95127	(408) 923-5430 Phone (408) 923-5897 Fax
8	Q T Express, Inc	448 Blossom Hill Rd San Jose, CA 95123	(408) 629-1371 Phone (408) 225-5996 Fax
23	Zacharia Srouji	92 Serra Way Milpitas, CA 95035	(408) 262-3211 Phone (408) 262-0284 Fax
38	DMSR, Inc	4194 Peralta Blvd Fremont, CA 94538	(510) 790-0675 Phone (510) 790-9106 Fax
63	Mandeep Singh	425 S Winchester Blvd San Jose, CA 95128	(408) 557-8157 Phone (408) 296-7765 Fax

In late 2015 former Shop 10 lost its premises lease and closed its business Shop 10 was owned and operated by MDM Auto, Inc and located at 3570 El Camino Real, Santa Clara, CA 95051

Main Office

Kole, Inc	448 Blossom Hill Road San Jose, CA 95123	(408) 710-6264 Phone (408) 848-9974 Fax

ITEM 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit "1" are the audited Financial Statements for KOLE, Inc for the fiscal years ended December 31, 2016, and 2015 , prepared by McFarlane, Cazale, and Associates, an independent Certified Public Accounting Firm The December 31, 2014 Financial Statements were prepared by Barnett & Company, an independent Certified Public Accounting Firm

ITEM 22. <u>CONTRACTS</u>

See, QTS System's Franchise Agreement (Exhibit "2"), including the following exhibits thereto

A	Territorial Rights
B	Trademarks/Service Marks
C	Confidentiality and Nondisclosure Agreement
D	State Regulations Which Supersede Franchise Agreement
E	Personal Guarantee

ITEM 23. <u>RECEIPTS</u>

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit "4 " Please return one copy to us and retain the other for your records

ATTACHMENT A

LIST OF ADMINISTRATORS	AGENTS FOR SERVICE OF PROCESS
CALIFORNIA	CALIFORNIA
Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104-4428 www.dbo.ca.gov Effective Date _________, 2017	Commissioner of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104-4428 1-866-275-2677 ("ASK-CORP")

FILED

2017 MAY 12 PM 1:43

DEPARTMENT OF
BUSINESS OVERSIGHT
SAN FRANCISCO

EXHIBIT 1
FINANCIAL STATEMENTS
FOR
KOLE, INC.

EXHIBIT 2
QTS SYSTEM
FRANCHISE AGREEMENT

EXHIBIT 3
OPERATIONS MANUAL
CONTENTS SUMMARY

EXHIBIT 4
RECEIPT