



FRANCHISE DISCLOSURE DOCUMENT
CALIFORNIA
**TOM McVEY 2004 QUALITY TUNE-UP SHOPS,
LLC**
a Delaware Limited Liability Company dba
QUALITY TUNE-UP SHOPS
2020

TOM McVEY 2004 QUALITY TUNE-UP SHOPS, LLC (“TM, LLC.” or the “Franchisor”) dba **QUALITY TUNE-UP SHOPS (“QTS”)**, intends to offer franchises utilizing the QTS business system. TM, LLC’s principal business address is 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, CA 95765 and telephone number is (916) 801-0829.

TM, LLC 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 TM, LLC in cash at the time TM, LLC has satisfied its training and assistance obligation to you pursuant to your Franchise Agreement. The initial fee is \$12,500 paid to TM, LLC 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 \$234,000 to \$282,750.

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 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 Tom McVey, 3031 Stanford Ranch road, Suite 2, #144, Rocklin, CA 95765, (916) 801-0829.

The terms of your contract will govern your franchise relationship. Don’t rely on the Disclosure Document alone to understand your contract. Read your entire contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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: _____, 2020

The Effective Date for this Franchise Disclosure Document is: _____, 2020.

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.

The total investment required to begin operation of a QTS System Franchise would range from approximately \$234,000 to \$282,750. This amount exceeds the Franchisor's Member's equity as of December 31, 2019, which was \$50,398.

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 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.

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

1. THE FRANCHISE AGREEMENT REQUIRES THAT MOST DISPUTES BE SUBMITTED TO ARBITRATION IN PLACER 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 CALIFORNIA 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 UP TO \$50,000 WITH THE AVERAGE BEING \$15,000 TO \$25,000. 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. 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.

5. §7.1 IS REVISED TO PROVIDE THAT THE INITIAL FRANCHISE FEE DOES NOT BECOME DUE AND PAYABLE UNTIL WE HAVE FULFILLED THE TRAINING OBLIGATIONS OF §5.2 (IF APPLICABLE) AND ASSISTANCE WITH ESTABLISHING YOUR NEW FRANCHISED BUSINESS PURSUANT TO §5.4 OF THE FRANCHISE AGREEMENT.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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ATTACHMENT A - List of State Administrators

EXHIBIT 1 Financial Statements of Franchisor.

EXHIBIT 2 Franchise Agreement with Exhibits:

- A. Franchisee's Business Address of Authorized Location and Protected Territory Designation
- B. Service Marks
- C. Confidentiality and Nondisclosure Agreement
- D. State Regulations Which Supersede Agreement
- E. Personal Guarantee

EXHIBIT 3 Operations Manual Table of Contents

EXHIBIT 4 Receipt by Prospective Franchisee

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

The Franchisor

To simplify the language in this Offering Circular “TM, LLC”, “we”, “our” or “us” will mean Tom McVey 2004 Quality Tune-Up Shops, LLC 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.

TM, LLC is a limited liability company formed in August 2004 under the laws of the State of Delaware to carry on the business of repairing, inspecting and servicing new and used automobiles. Our principal office is located at 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, California 95765. We currently operate three QTS businesses, and retain the right to market to and service 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 TM, LLC

We do not have any parent or affiliate. Tom McVey 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 TM, LLC. Due to the fact that these exclusive rights currently represent a major portion of TM, LLC’s assets, X.Q.T. Corporation could be deemed a predecessor of TM, LLC. The principal business address of X.Q.T. Corporation is 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, CA 95765.

The predecessor to TM, LLC 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 had sold all of its California franchisee businesses to two separate entities, one of which was TM, LLC. 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 TM, LLC

None.

TM, LLC's Agent for Service of Process

TM, LLC has authorized Tom McVey, Managing Member, 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, California 95765 to receive legal service of process on behalf of TM, LLC. 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.

Tom McVey 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 over 20 years and has been a Franchisor of Quality Tune-up Shops for seven years. All of these shops are located in urban areas of Northern California, have approximately 2,000 sq. ft. of floor space and are located on busy streets. TM, LLC only conducts business in the state of California and presently within the counties of San Joaquin, Stanislaus, Sacramento and Placer.

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.

TM, LLC currently has five (5) franchised Quality Tune-Up Shops purchased by TM, LLC from Q.T. Express, Inc. and four (4) shops owned and operated by TM, LLC. Set forth in ITEM 20 is a list of the current QTS Shops, six of which are owned by Franchisees and three of which are owned by TM, LLC, 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 the Tom McVey 2004 Tune-Up Shops, LLC

The following person represents the executive officer of TM, LLC who exercises management responsibility for the marketing and servicing of its franchising activities:

Tom McVey - Managing Member

Tom McVey has been the sole managing member of TM, LLC since its inception in October 2004. Since its inception, TM, LLC has been the Franchisor or owner/operator of nine Quality Tune-Up Shops, formerly managed by Q.T. Express, Inc. From October 1998 to September 2004, Mr. McVey served as vice president of Q.T. Express, Inc. which managed nine (9) franchised Quality Tune-Up Shops. His duties included operational oversight and training. From April 1995 to August 1998, Mr. McVey served as General Manager of Side B Corporation which operated twelve (12) company-owned Quality Tune-Up Shops located in Northern California. From July 1986 to February 1995 Mr. McVey owned and operated a Quality Tune-Up Shop in San Francisco, California and for fourteen (14) months prior to that he managed several Quality Tune-Up Shop locations.

Franchise Selling Agents

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

ITEM 3. LITIGATION

There are no litigation or administrative proceedings required to be disclosed in this Item of the Disclosure Document.

ITEM 4. BANKRUPTCY

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. INITIAL FEES

You will pay to us an initial franchise fee of \$25,000 (the "Initial Fee"), for your initial franchise and Protected 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 Protected Territory acquired will be \$25,000. The Initial Fee does not become due and payable until we have fulfilled the training obligations of §5.2 (if applicable) and assistance with establishing your new Franchised Business pursuant to §5.4 of the Franchise Agreement. TM, LLC may, upon request, allow the Franchise Fee to be paid over twelve (12) months. (See Section 7.2 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 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 TM, LLC'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.

If you are a transferee and only paying the Transfer Fee and we determine that you are not qualified to operate the Franchised Business being acquired, you will be required to pay a training fee ("Training Fee") of \$5,000 and complete our QTS training program before you commence operating the Franchised Business.

The Initial Fee is not refundable under any circumstances except if TM, LLC exercises its right to terminate your Franchise Agreement within one year of its effective date. (See Section 2.1A of the Franchise Agreement.) You are required to spend a one-time amount of \$2,500 for your initial marketing activities during the first three months of operation of your Franchised Business to support the grand opening of your Franchised Business.

ITEM 6. OTHER FEES

All fees are uniformly imposed and are non-refundable. Certain terms set forth in this Item 6 of the Franchise Disclosure Document have been negotiated with other franchisees. A copy of all Negotiated Sales Notices Filed in California in the last twelve months are attached as Exhibit 5.

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	\$750	Fee due monthly on or before the 15 th day at each month	Paid to designated bookkeeping service
Advertising Fee	10% of monthly Gross Revenue	Fee due monthly on or before the 20 th day of the next month	Paid to Franchisor for contract advertising costs including an administrative fee of \$50 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 TM, LLC
Additional Training Requested by Franchisee ⁽³⁾	Actual cost of wages and expenses incurred by person conducting the additional training	At time additional training commences	Paid to Franchisor
Insurance Premiums ⁽⁴⁾	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. Mutual agreement between Franchisor and Franchisee is required for renewal

Name of Fee	Amount	Due Date	Remarks ⁽²⁾
C. <u>Transfer Fees</u>			
Transfer Fee	\$10,000 (for each Protected 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) Royalty fees are imposed and collected by TM, LLC. All fees are non-refundable.
- (3) Expense for additional training (other than pre-opening 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).
- (4) 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 or in the discretion of Franchisor, pursuant to Interest Bearing Installment Promissory Note	At the time the Franchise Agreement is signed	TM, LLC
Initial Marketing Activity	\$2,500	Cash	Within 90 days of time franchised business commences	Designated local advertising agency or agent designated by Franchisor

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Fee Deposit	\$50,000	Cash	Prior to or concurrent with start of franchised business. Net amount refundable upon termination or expiration.	TM, LLC
Computer Equipment	\$10,500	Cash	Prior to or concurrent with start of Franchise	Designated computer supplier
Shop Equipment ⁽²⁾	\$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 ⁽³⁾ (Signage Upgrades)	\$15,000	Cash	Prior to or concurrent with commencement of Franchise	TM, LLC if it has installed Leasehold improvements; to third parties performing work and providing materials if so contracted
Opening Inventory ⁽²⁾	\$20,000 - \$25,000	Cash; financing by third party supplier; except to TM, LLC for commencing existing onsite inventory, if any	Prior to or concurrent with start of Franchise	Third party from whom purchased or TM, LLC if starting inventory from TM, LLC
Royalty Fee - 3 months ⁽⁴⁾	\$15,000 - \$22,500	Lump Sum	Monthly	TM, LLC
Administrative fee - 3 months	\$2,250	Cash	\$750 monthly	Designated service provider
Advertising & Promotional Fee - 3 Months ⁽⁴⁾	\$15,000-\$22,500	Lump Sum	Monthly	Local Advertising Agency
Insurance ⁽⁵⁾	\$750-\$1500	Per terms of policy	Prior to signing	Insurer
Professional Fees ⁽⁶⁾	\$500-\$1500	As incurred	As needed	Third Parties
Misc. Opening	\$3,000 - \$5,000	Cash	Prior to or concurrent with start of Franchise	TM, LLC or third party providing products or services

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Additional Funds - 3 months ⁽⁷⁾	\$20,000-\$30,000	As incurred	As needed	Employees, Expenses & Overhead
TOTALS ⁽⁸⁾	\$234,000 to \$282,750			

Footnotes to table:

- (1) Franchisor may, upon request, allow the Initial Franchise Fee to be paid over a period of up to twelve months. The Initial Franchise Fee is \$12,500 if prospective Franchisee is converting an existing automobile repair/service facility.
- (2) The range of initial investment is based upon the size and the location of your Franchised Business and includes the expected geographical market for customers.
- (3) 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.
- (4) 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 \$750 (ie \$750 x 3 = \$2,250)
- (5) 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 TM, LLC 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.
- (6) 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.
- (7) 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.
- (8) Assumes costs and fees incurred for the first three months of operation of one Franchised Business. TM, LLC 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 the Franchisor who will contract with an Advertising Agency or agent selected by TM, LLC for your required advertising. The Franchisor will be paid an administrative fee of \$50 per shop per month for reviewing advertising material and preparing necessary reports. During 2018 the Franchisor collected \$328,320 in advertising fees and disbursed \$341,069 for advertising services including \$6,000 which was paid to the Franchisor as an administrative fee.

You must contract with the bookkeeping service selected by TM, LLC for your administrative/recordkeeping 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 inventory approved by us and acceptable to the California BAR and the California Department of Consumer Affairs or any other regulatory agency, federal or state.

We have approved purchases of your petroleum products from the local distributor for Chevron Corp. 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 regulatory 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

<u>Obligation</u>	<u>Section of Agreement</u>	<u>Disclosure Document Item</u>
a. Site selection and acquisition/lease	Article III; Section 4.1	
b. Pre-opening purchases/ leases	Sections 4.1 and 7.3	Items 5 & 7
c. Site development and other pre-opening requirements	None	
d. Initial and ongoing training	Article V	Item 11
e. Opening	Sections 7.4 and 10.1	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
h. Trademarks and proprietary information	Article XI	Items 13 & 14
i. Restrictions on products/ services offered	Article X (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

<u>Obligation</u>	<u>Section of Agreement</u>	<u>Disclosure Document Item</u>
n. Insurance	Section 15.4	Item 7
o. Advertising	Article X	Items 6 & 7
p. Indemnification	Sections 15.3 and 21.2 and Exhibit “C” of Franchise Agreement	None
q. Owner's participation/ management/ staffing	Sections 6.3 and 6.4	Item 15
r. Records/reports	Section 9.2	None
s. Inspections/ audits	Section 6.7, 9.2(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. Protected Territory	Section 1.1, Article III and Exhibit “A” of Franchise Agreement	Item 12

ITEM 10. FINANCING

Upon request, we may, but are not required to, allow the Initial Fee for a new business franchise to be paid in installments. Such installment payments would require \$10,000 to be paid at the time of execution of the Franchise Agreement and the remaining amount paid monthly not to exceed twelve (12) months. We will not offer any other financing arrangements, directly or indirectly, to you for the acquisition or operation of a QTS System franchise. Any such deferred payment plan will typically be unsecured and, if the franchisee is a business entity, the individual owners of such entity will be required to guarantee such payments. A default in such deferred payments will generally result in acceleration of the entire amount due and include payment of all costs and attorney fees incurred in collecting the debt. Such non-payment could result in termination of the Franchise. The deferred payment agreement will typically require the FRANCHISEE to waive legal rights such as presentment and confession of judgment and will ban FRANCHISEE from asserting defenses against TM, LLC. We do not sell or assign such deferred payment obligations to any third party.

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

Except as listed below, TM, LLC 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 Protected 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 Protected Territory.
- 2) If TM, LLC is the lessor of the premises, enter into a Sublease Agreement between TM, LLC 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; and (ii) have at least two (2) years of prior experience in the ownership and/or management of a business that we, in our discretion, determine constitutes qualification of the proposed franchisee to conduct the Franchised Business. Prospective franchisees not meeting the above pre-requisites will be required to complete the "New Franchisee Training Program" and pay a separate training fee of \$5,000.

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 or we, in our sole discretion, determine that you are not deemed qualified to operate the Franchised Business then, you will be required to complete our training program described in Section E of this Item 11.

- 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 5.4)
- 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. TM, LLC'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(C))
- 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 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. We currently do not have any advertising cooperatives or advertising council composed of franchisees. (Section 10.6)
- 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 \$750.00 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. (Sections 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

Prospective franchisees not meeting the pre-qualifications as specified above, or if we determine, in our sole discretion, that you are not qualified to operate the Franchised Business (even if you meet our pre-qualification standards), you will be required to satisfactorily complete our New Franchisee Training Program and pay a fee for the training program. The training program is 144 hours in duration and is expected to be completed over a period of 12 to 16 weeks with most of the training occurring after the new franchisee has commenced operating the Franchised Business.

The following chart outlines our New Franchisee Training Program:

TRAINING SCHEDULE

Subject	Time
ORIENTATION - overview of company and shop operations - hours of operation - dress code and uniforms - shop appearance - greeting customers - courtesy checklist - how to complete and review with customers - entering customer data in SAGE - completing the work order in SAGE - overview of services in SAGE - completion of work - invoicing the customer - policy on coupons/discounts - processing credit card payments - overview of time sheets - clock in/clock out	16 hours
CRITICAL SHOP PROCESSES - building your team - providing direction and communication - roles/responsibilities - parts purchases - reviewing time cards - reviewing daily profit reports - managing shop procedures - open/close/LOF/SMOG - complying with industry/BAR standards - reporting requirements	24 hours
USING SAGE POS SYSTEM - customer sign-ups - service menu - parts and labor menus - modifying menu items - coupons and discounts - creating the estimate - modifying the estimate - documenting per "Write it Right" - applying payments - final invoice - change coupon pricing - fleet payments - generating reports	16 hours
HUMAN RESOURCES - employment contracts - employee handbooks	12 hours

- compliance posters - employee records - probationary period - work attendance - benefits - duties and responsibilities in job description - company support and training	
REGULATORY ISSUES - BAR compliance - business license - ARD license - SMOG license - "Write it Right" handbook - HMBP and CERS website - oil tank inspection - EPA - OSHA - MSDS - emergency plan	12 hours
HOW TO BE SUCCESSFUL - written goals and action plans - customer orientation - customer process - customer follow up - sales basics - margins - weekly sales reports - profit wheel - monthly P & L statements - recruitment/hiring/training - delegation - leadership and management - consistent performance of all tasks - controlling parts costs - controlling labor costs - building relationships with customers - advertising/marketing - fleet accounts	64 hours

Ideally the new franchisee will spend time in training at his/her Franchised Business location in 4-hour periods per day, two to three days per week in a continuous manner so that all the items listed on the Training Schedule will be completed within a maximum of 16 weeks.

Training will initially be provided by Tom McVey, owner of the QTS Franchisor. Additional Franchisor representatives may also be added to provide this training.

For all additional training courses, seminars, and programs, 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 representative familiar with the QTS business and designated by us. The representative will arrange for and we will contract with each advertising agency on your behalf. The advertising agencies will implement advertising applicable to each franchisee's protected territory which may include some regional advertising covering more than one franchisee's protected territory. Advertising will involve multi-media channels including print ads, coupons, Groupons, radio spots, internet messages, and other forms of advertising. We have no obligation to spend any 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, 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 certain territorial rights to you. You will select your Authorized Location which will be located in your designated Protected Territory. The designated Protected Territory for your Franchised Business will be determined by negotiations between you and us. Generally, if you operate an existing car service business, the Protected Territory will usually consist of your established marketing and service area. There are no sales quotas or other conditions to maintaining your Protected Territory.

Your Authorized Location and Protected 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 Protected 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 Protected 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 protected 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 commercial 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 Protected Territory although you may service customers from outside your Protected 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" and "Quality Tune-Up Shops" 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" with 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 second renewals were filed with the PTO on April 16, 2015 for both Registration No. 1,343,319 and Registration No. 1,346,764, respectively. The Name(s) and Mark(s) "Quality Tune-Up Shops" and design are registered under Registration No. 055359 and No. 12517 respectively, with the California Secretary of State. Registration renewals were filed on September 1, 2016 for both Registration No. 055359 and No. 12517.

There is no pending litigation involving the ownership of the Marks. 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 are owned by X.Q.T. Express, Inc. which has licensed the use of such Name(s) and Mark(s) to TM, LLC. No agreements limit the right of TM, LLC to use or license the use of the Name(s) and Mark(s) in the manner provided for herein.

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 ®, ™, SM 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 except 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 TM, LLC, 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 Nondisclosure 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 RELATIONSHIP

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	Ten (10) years ⁽¹⁾
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

Provision	Section in Franchise Agreement	Summary
		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 6 th year or 10 th 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 first year of Franchise Term
f. Termination by us with cause.	Section 19.1	Failure to comply with Franchise Agreement
g. “Cause” defined-defaults which can be cured.	Section 19.3	Breach of Franchise Agreement but you can avoid termination if you cure the breach within time permitted
h. “Cause” defined-defaults which cannot be cured	Section 19.2	Breach of Franchise Agreement and other specified grounds which allow immediate termination without giving you an opportunity to cure the breach
i. Your obligations on termination/nonrenewal.	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 ⁽²⁾
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. No transfer allowed if less than 4 months remaining in Franchise

(1) Franchisor may terminate the franchise during the first 12 months upon 90 days notice if Franchisor determines Franchisee to be unacceptable.

(2) 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
		term
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	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 franchise.	Article XIV	No participation or ownership in other car service or related business except with our consent
r. Non-competition covenants after the franchise is terminated or expires	Section 14.1	Prohibits use of confidential information and Trade Secrets for a competitive business for five (5) years after termination in the relevant Protected Territory ⁽²⁾
s. Modification of the franchise agreement	Section 6.4	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 other promises outside this Disclosure Document and Franchise Agreement may not be enforceable
u. Dispute resolution by	Article XXII	Mandatory arbitration required in

Provision	Section in Franchise Agreement	Summary
arbitration or mediation		county in California in which we maintain our principal office
v. Choice of forum	Sections 22.1 and 22.6	Placer County, 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 the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing 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, you should report it to the Franchisor's management by contacting Mr. Tom McVey, 3031 Stanford Ranch road, Suite 2, #144, Rocklin, CA 95765, (916) 801-0829, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS 2017 TO 2019				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net change
Franchised	2017	4	4	0
	2018	4	4	0
	2019	4	4	0
Company-Owned	2017	2	2	0
	2018	2	2	0
	2019	2	2	0
Total Outlets	2017	6	6	0
	2018	6	6	0
	2019	6	6	0

Table 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2017 TO 2019		
State	Year	Number of Transfer
California	2017	0
	2018	0
	2019	0
Total	2017	0
	2018	0
	2019	0

Table 3

STATUS OF FRANCHISE OUTLETS FOR YEARS 2017 TO 2019								
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	2017	4	0	0	0	0	0	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
Total*	2017	7	0	0	0	1	2	4
	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4

*As of the date of this Disclosure Document, there are four franchise locations opened. There are no franchisees who have had a shop terminated, 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 2017 TO 2019							
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	2017	2	0	0	0	0	2
	2018	2	0	1	0	1	2
	2019	2	0	0	0	0	2
Total	2017	2	0	0	0	0	2
	2018	2	0	1	0	1	2
	2019	2	0	0	0	0	2

Table 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2019			
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	1	0
Total	0	1	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 MARCH 31, 2019**

Shop #	Franchisee	Address	Phone
40	Gurbani Inc.	3846 Fruitridge Rd. Sacramento, CA 95820	(916) 392-1917 Phone (916) 392-1548 Fax
41	Lupes Auto Repair Inc.	2545 Arden Way Sacramento, CA 95825	(916) 487-6075 Phone (916) 487-4791 Fax
42	TM, LLC (Company-owned)	1700 Douglas Blvd. Roseville, CA 95661	(916) 783-8862 Phone (916) 783-9837 Fax
50	Lupes Auto Repair Inc.	2501 Northgate Blvd. Sacramento, CA 95833	(916) 929-7172 Phone (916) 929-7104 Fax
51	TM, LLC (Company-owned)	10801 Folsom Blvd. Rancho Cordova, CA 95670	(916) 635-0500 Phone (916) 635-8968 Fax
53	Santiago Villavicencio	2221 Florin Rd. Sacramento, CA 95822	(916) 424-1450 Phone (916) 424-2935 Fax

Main Office

Quality Tune-Up Shops	3031 Stanford Ranch Rd Ste. 2#144 Rocklin, CA 95765	(916) 801-0829 Phone (916) 624-5778 Fax
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ITEM 21. FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit "1" are the audited Financial Statements for Tom McVey 2004 Quality Tune-Up Shops, LLC for the fiscal years ended December 31, 2017, 2018 and 2019. The Financial Statements were prepared by Boden Klein & Sneesby, an independent Certified Public Accounting Firm.

ITEM 22. CONTRACTS

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. RECEIPTS

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
<u>CALIFORNIA</u>	<u>CALIFORNIA</u>
Commissioner of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104-4428 Effective Date: _____, 2020	Commissioner of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94104-4428 1-866-275-2677 (“ASK-CORP”)

EXHIBIT 1
FINANCIAL STATEMENTS
FOR
TOM MCVEY 2004 QUALITY-TUNE-UP SHOPS, LLC

EXHIBIT 2
QTS SYSTEM
FRANCHISE AGREEMENT

EXHIBIT 3

OPERATIONS MANUAL

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EXHIBIT 4
RECEIPT

**RECEIPT OF THE
DISCLOSURE DOCUMENT FOR THE
QTS SYSTEM**

This Disclosure Document summarizes certain provisions of the Quality Tune-Up Shops Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Tom McVey 2004 Quality Tune-Up Shops, LLC ("we") offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale.

If we do 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 State Agencies listed in Attachment A.

This Disclosure Document was provided by Tom McVey, 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, CA 95765, (916) 801-0829. We authorize the agents listed in Attachment A to receive service of process for the QTS System.

I received the 2020 QTS System's Franchise Disclosure Document, which included the following attachments and exhibits:

ATTACHMENT A - List of State Administrators and Agents for Service of Process

- EXHIBIT 1 Financial Statements of Tom McVey 2004 Quality Tune-Up Shops, LLC.
- EXHIBIT 2 QTS System Franchise Agreement with Exhibits:
 - A. Franchisee's Business Address of Authorized Location and Protected Territory
 - B. Service Marks
 - C. Confidentiality and Nondisclosure Agreement
 - D. State Regulations Which Supersede Agreement
 - E. Personal Guarantee
- EXHIBIT 3 Operations Manual Table of Contents
- EXHIBIT 4 Receipt by Prospective Franchisee

Date: _____

Print Name: _____
Prospective Franchisee

Signed: _____
Prospective Franchisee
Individually or as an officer or partner of:

Return a signed and dated copy of this Receipt to Tom McVey c/o Tom McVey 2004 Quality Tune-up Shops LLC, 3031 Stanford Ranch Road, Suite 2, #144, Rocklin, CA 95765, phone (916) 801-0829 fax (916) 624-5778.