FRANCHISE DISCLOSURE DOCUMENT
CALIFORNIA
TOM McVEY 2004 QUALITY TUNE-UP SHOPS, LLC
a Delaware Limited Liability Company dba QUALITY TUNE-UP SHOPS
2021

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: ________, 2021

STATE COVER PAGE

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Exhibit 1 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Quality Tune-up Shop business in my area?	Item 12 and the "territory" provisions and Exhibit A in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Quality Tune-up Shop franchisee?	Item 20 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments by made to your franchise agreement. If so, you should check the

State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation in Sacramento County, California. Out-of-State mediation, arbitration and/or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with the franchisor in California than in your own state.

2. **Spouse must sign Personal Guarantee.** Your spouse may be required to also sign a personal guarantee making your spouse individually liable for your financial obligations under the franchise agreement. The guarantee will place your spouse's marital and personal assets at risk if your franchise fails.

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

TABLE OF CONTENTS

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 California State Addendum

EXHIBIT 5 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 seventeen 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 or $2,000 whichever is greater[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 15th day at each month	Paid to designated bookkeeping service
Advertising Fee	10% of monthly Gross Revenue or $1,000 whichever is greater	Fee due monthly on or before the 20th day of the next month	Paid to Franchisor for contract advertising costs including an administrative fee of $84 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. <u>Renewal Fees</u>

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. Transfer Fees			
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

(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 (8)	$15,000 - $22,500	Lump Sum	Monthly	TM, LLC
Administrative fee - 3 months (4)	$2,250	Cash	$750 monthly	Designated service provider
Advertising & Promotional Fee - 3 Months(8)	$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 of $25,000 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 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 $84 per shop per month for reviewing advertising material and preparing necessary reports. During 2020 the Franchisor collected $290,327 in advertising fees and disbursed $296,443 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

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 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
n. Insurance	Section 15.4	Item 7
o. Advertising	Article X	Items 6 & 7

Obligation	Section of Agreement	Disclosure Document Item
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. <u>Expected Days to Commence Operations</u>

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. <u>TM, LLC's Obligations During Franchise Operation</u>

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 - compliance posters - employee records	12 hours

- 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. <u>Advertising of Franchised Business</u>

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. <u>TERRITORY</u>

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 your Protected Territory is exclusive to the extent that 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. However, 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. <u>TRADEMARKS</u>

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 ®, ™, ℠ 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, including but not limited to the Operations Manual, 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 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 original contract

Provision	Section in Franchise Agreement	Summary
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 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 term

(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
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 arbitration or mediation	Article XXII	Mandatory arbitration required in county in California in which we maintain our principal office

Provision	Section in Franchise Agreement	Summary
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

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 2018 TO 2020				
Outlet Type	**Year**	**Outlets at the Start of the Year**	**Outlets at the End of the Year**	**Net change**
Franchised	2018	4	4	0
	2019	4	4	0
	2020	4	5	+1
Company-Owned	2018	2	2	0
	2019	2	2	0
	2020	2	1	-1
Total Outlets	2018	6	6	0
	2019	6	6	0
	2020	6	6	0

Table 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2018 TO 2020		
State	**Year**	**Number of Transfer**
California	2018	0
	2019	0
	2020	0
Total	2018	0
	2019	0
	2020	0

Table 3

STATUS OF FRANCHISE OUTLETS FOR YEARS 2018 TO 2020								
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	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	1*	5
Total*	2018	7	0	0	0	1	2	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	1*	5

*On September 16, 2020 the Franchisor sold one of its Company-owned stores to a new Franchisee. As of the date of this Disclosure Document, there are five 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 2018 TO 2020

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	2018	2	0	1	0	1	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	1	1
Total	2018	2	0	1	0	1	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	1	1

Table 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2020

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, 2021

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	Todd Morrow	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
53	Santiago Villavicencio	2221 Florin Rd. Sacramento, CA 95822	(916) 424-1450 Phone (916) 424-2935 Fax

QUALITY TUNE-UP COMPANY-OWNED LIST
AS OF MARCH 31, 2021

51	TM, LLC (Company-owned)	10801 Folsom Blvd. Rancho Cordova, CA 95670	(916) 635-0500 Phone (916) 635-8968 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

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, 2018, 2019 and 2020. 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**
CALIFORNIA	CALIFORNIA
Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104-4428 Effective Date: __________, 2021	Department of Financial Protection and Innovation 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
YEARS ENDED DECEMBER 31, 2020, 2019 and 2018

THE TOM MCVEY 2004 QUALITY TUNE-UP SHOPS, LLC

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020, 2019 and 2018

THE TOM MCVEY 2004 QUALITY TUNE-UP SHOPS, LLC

Financial Statements
December 31, 2020, 2019 and 2018

Table of Contents

BODEN
KLEIN &
SNEESBY
CERTIFIED PUBLIC ACCOUNTANTS
3005 Douglas Blvd., Ste. 115
Roseville, CA 95661
(916) 774-1040
(916) 774-1177 Fax

INDEPENDENT AUDITORS' REPORT

Owner
The Tom McVey 2004 Quality Tune-Up Shops, LLC
Rocklin, California

We have audited the accompanying financial statements of The Tom McVey 2004 Quality Tune-up Shops, LLC, which comprise the balance sheets as of December 31, 2020, 2019 and 2018, and the related statements of operations and member's equity, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Tom McVey 2004 Quality Tune-Up Shops, LLC as of December 31, 2020, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boden Klein & Sneesby

BODEN KLEIN & SNEESBY
A Professional Corporation

Roseville, California
March 24, 2021

THE TOM MCVEY 2004 QUALITY TUNE-UP SHOPS, LLC

Balance Sheets
December 31, 2020, 2019 and 2018

ASSETS

	2020	2019	2018
Current assets:			
Cash and cash equivalents	$ 49,059	$ 62,575	$ 49,687
Accounts receivable, net	8,587	7,055	6,065
Franchise fees receivable	18,277	18,616	14,643
Inventory	5,271	17,296	31,406
Note receivable, current portion	29,111	18,119	-
Prepaid expenses and other assets	4,500	10,875	8,625
Total current assets	114,805	134,536	110,426
Shop equipment, net	26,847	3,501	4,389
Note receivable	47,634	24,043	-
Investments	100	100	100
Goodwill, net	87,500	105,000	140,000
TOTAL ASSETS	$ 276,886	$ 267,180	$ 254,915

LIABILITIES AND MEMBER'S EQUITY

	2020	2019	2018
Liabilities			
Accounts payable	$ 71,740	$ 63,379	$ 66,271
Lines of credit	60,351	105,063	123,106
Note payable	-	7,929	7,929
Total current liabilities	132,091	176,371	197,306
Franchisee deposits	29,159	29,159	19,000
Note payable, member	-	11,252	-
Total liabilities	161,250	216,782	216,306
Member's equity	115,636	50,398	38,609
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 276,886	$ 267,180	$ 254,915

The accompanying notes are an integral part of these financial statements.

THE TOM MCVEY 2004 QUALITY TUNE-UP SHOPS, LLC

Statements of Operations and Member's Equity
For the Years Ended December 31, 2020, 2019 and 2018

Revenue	2020	2019	2018
Franchise fees	$ 202,783	$ 226,892	$ 192,322
Shop sales	1,268,391	1,607,059	2,175,818
Advertising fees	195,899	207,545	161,472
Total revenue	1,667,073	2,041,496	2,529,612
Cost of Revenue			
Shop	853,202	1,065,302	1,369,251
Advertising	296,255	332,804	306,950
Total cost of revenue	1,149,457	1,398,106	1,676,201
Gross Profit	517,616	643,390	853,411
General and administrative expenses	514,131	581,447	749,523
Income from operations	3,485	61,943	103,888
Other Income (expense)			
Interest expense	(5,046)	(9,434)	(10,511)
Gain on sale of franchise	39,986	59,292	-
Other income, net	143,846	9,973	6,000
Total other income (expense)	178,786	59,831	(4,511)
Income before income taxes	182,271	121,774	99,377
Income tax expense	580	800	800
Net Income	181,691	120,974	98,577
Member's equity (deficit) - beginning of year	50,398	38,609	(2,870)
Distributions	(116,453)	(109,185)	(57,098)
Member's equity - end of year	$ 115,636	$ 50,398	$ 38,609

The accompanying notes are an integral part of these financial statements.

THE TOM MCVEY 2004 QUALITY TUNE-UP SHOPS, LLC

Statements of Cash Flows
For the Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Cash flows from operating activities:			
Net income	$ 181,691	$ 120,974	$ 98,577
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,823	24,552	26,795
Gain on sale of franchise	(39,986)	(59,292)	-
PPP loan forgiveness	(133,832)	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(1,532)	(990)	10,633
Franchise fee receivables	339	(3,973)	214
Inventory	(591)	14,110	(13,106)
Prepaid expenses and other assets	6,375	(2,250)	2,055
Accounts payable	8,361	(2,892)	(3,995)
Accrued expenses		-	(2,812)
Net cash provided by operating activities	38,648	90,239	118,361
Cash flows from investing activities:			
Acquisition of equipment	(31,146)	(6,872)	-
Proceeds from sale of franchise	5,000	22,500	-
Principal payments from note receivable	20,496	12,838	-
Net cash (used) provided by investing activities	(5,650)	28,466	-
Cash flows from financing activities:			
Franchise deposit proceeds (refunds), net	-	10,159	(11,687)
PPP loan proceeds	133,832	-	-
Borrowings (repayments) on line of credit, net	(44,712)	(18,043)	(16,086)
(Repayments) on note payable	(7,929)	-	-
Borrowings (repayments) on note payable due member, net	(11,252)	11,252	(35,822)
Distributions	(116,453)	(109,185)	(57,098)
Net cash used in financing activities	(46,514)	(105,817)	(120,693)
Net (decrease) increase in cash	(13,516)	12,888	(2,332)
Cash, beginning of year	62,575	49,687	52,019
CASH, END OF YEAR	$ 49,059	$ 62,575	$ 49,687

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies of The Tom McVey 2004 Quality Tune-Ups Shops, LLC (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Company's Activities
The Company is a Delaware Limited Liability Company, which began operations in August of 2004. The Company is a licensee and sub-licensor of the marks and trade name "Quality Tune-up Shops". The Company currently has franchise agreements with six automotive maintenance, repair and inspection shops between Stockton and Sacramento, California.

At December 31, 2020, the Company operates one automotive maintenance, repair and inspection shop located in the greater Sacramento area, California.

The Company also provides advertising for all shops under franchise agreements, which are paid for by each shop under the franchise agreement.

Revenue recognition
Revenue from service, parts or supplies sales is recognized when the service, parts or supplies are transferred to the customer, the customer obtains control of the component, no significant obligations remain, and estimation of return liabilities is reasonably estimated. Performance obligations are typically satisfied upon delivery of the service, parts or supplies. The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Effective January 1, 2020, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which amended the existing accounting standards for revenue recognition. The new revenue standard does not have a material impact on the amount and timing of revenue recognized in the Company's financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk
The Company grants credit to its fleet customers and franchisees based on reported credit ratings, periodic review of payment history, as well as professional association. Management believes that its acceptance, billing and collection policies are adequate to minimize potential credit risk.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash
The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable
Accounts receivable consist of uncollected franchise fees and trade receivables, as well as advertising fees receivable. Franchise and advertising fees are due on the 15th day following the end of each month. Management believes all such receivables to be collectible; therefore, no allowance for uncollectible accounts has been established.

Inventory
The Company's inventory consists primarily of oil and auto parts and is stated at the lower of cost and net realizable value on a first-in first-out basis.

Shop Equipment
Shop equipment consists of equipment used for operations at shops operated by the Company. Assets have been valued at the acquired value which was determined based on the Company's note receivable from the shop owners at the time of acquisition, or cost. In addition, costs of repairs and maintenance are charged to expense. Upon retirement or disposal of property and equipment, the costs and related depreciation are removed from the accounts, and gains or losses, if any, are reflected in the earnings for financial and income tax reporting purposes.

The Company depreciates shop equipment over the estimated useful life of the related asset. Depreciation is provided for under the straight-line method for financial reporting and accelerated methods for income tax reporting. The estimated useful life used for calculating depreciation for shop equipment is five years.

Goodwill
Beginning in 2016, the Company adopted the accounting alternative offered to nonpublic entities for the subsequent measurement of goodwill. In accordance with this alternative, the Company amortizes goodwill over ten years on the straight-line basis and only evaluates goodwill for impairment at the entity level when a triggering event occurs. Goodwill totaled $200,000 at the time of its acquisition. During 2019, one of the Company owned shops was sold and goodwill in the amount of $25,000 associated with this shop was disposed of. As of December 31, 2020, 2019 and 2018 there was $87,500, $70,000 and $60,000 in accumulated amortization related to goodwill, respectively. Included in general and administrative expenses is $17,500, $17,917 and $20,000 in amortization expense for the years ended December 31, 2020, 2019 and 2018, respectively.

Income Taxes
Although organized as a limited liability company, the Company elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and the Revenue and Taxation Code of the State of California. Under these provisions, the Company does not pay federal corporate income taxes on its taxable income. However, the Company does pay a California income tax at a reduced rate of 1.5% with a minimum franchise tax of $800.

The member is then liable for individual federal and state taxes on the Company's taxable income. In order for the member to be able to pay these taxes, the Company

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

has resolved that he may take annual distributions up to the full tax liability on the Company's taxable income.

The expected federal and state tax liability on the Company's taxable income has been paid through the member's estimated tax payments and is included in the current year distributions.

Certain items of income and expenses are recognized in different periods for tax and financial accounting purposes. The primary timing difference is the use of the cash method for tax reporting and the accrual method for financial reporting purposes. These differences have not been reflected in the financial statements.

Uncertain Tax Positions
Accounting guidance issued by the Financial Accounting Standards Board (FASB) prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company did not have unrecognized tax benefits as of December 31, 2020 and does not expect this to change significantly over the next twelve months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense.

Advertising Costs
Advertising costs are expensed in the year incurred. The Company incurred $296,255, $332,804 and $306,950 in advertising costs during the years ended December 31, 2020, 2019 and 2018, respectively.

Reclassifications
Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

Statement of Cash Flows
In September 2020, the Company sold a Company owned shop to a franchisee. Terms of the sale included the Company receiving a note receivable in the amount of $55,000.

Subsequent Events
In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 24, 2021, the date the financial statements were available to be issued.

In January 2020, a fire at a franchisee owned shop caused structural damage to the shop which caused the location to suspend operations during repairs. The shop resumed operations in March 2021.

NOTE 2 SHOP EQUIPMENT

Shop equipment consists of the following at December 31:

	2020	2019	2018
Shop equipment	$ 29,750	$ 38,856	$ 33,969
Less accumulated depreciation	2,903	35,355	29,580
Shop equipment, net	$ 26,847	$ 3,501	$ 4,389

Depreciation expense for the years ended December 31, 2020, 2019 and 2018 was $323, $6,635 and $6,795, respectively, and is included in cost of revenue, shop.

NOTE 3 LINES OF CREDIT

The Company has a $95,000 revolving line of credit agreement with a bank. The line is personally guaranteed by the managing member, with interest at 8.5%. The balance outstanding at December 31, 2020, 2019 and 2018 was $0, $32,905 and $55,217, respectively. This revolving line of credit was closed as of December 31, 2020.

The Company has a $77,000 revolving line of credit agreement with a bank. The line is personally guaranteed by the managing member, with interest at 7.49%. The balance outstanding at December 31, 2020, 2019 and 2018 was $60,351, $72,158 and $67,889, respectively.

NOTE 4 ADVERTISING DEPOSITS

The Company collects advertising fees from the franchisees. These funds are maintained in a cash account to be used for advertising for each franchisee participating in the program. As of December 31, 2020, 2019 and 2018, the Company owed the franchisees $39,191, $36,853 and $11,791, respectively, which is included in accounts payable on the accompanying balance sheets.

NOTE 5 NOTE PAYABLE, MEMBER

Note Payable, Member is non-interest bearing and due on demand. As of December 31, 2020, 2019 and 2018 the balance due was $0, $11,252 and $0, respectively. Note Payable, Member is included in long-term liabilities, as it is not expected to be paid within the year.

NOTE 6 PPP LOAN

The Company received loan proceeds in the amount of $133,832 under the federal Payroll Protection Program (PPP). Funds from the loan may only be used for qualifying expenses which include payroll costs, group health care benefits, mortgage payments, rent, utilities and certain debt obligations. Under the terms of the PPP, up to the full amount of the loan may be forgiven if the proceeds are used for qualifying expenses. The Company received loan forgiveness, and the loan forgiveness income is reported in other income on the statement of operations and member's equity.

NOTE 7 OPERATING LEASES

The Company has entered into operating leases for the rental of auto repair facilities. Rent amounted to $102,773, $131,444 and $162,697 for the years ended December 31, 2020, 2019 and 2018, respectively.

The future minimum lease payments under non-cancelable operating leases are as follows:

Year Ending December 31:	
2021	$ 138,000
2022	138,000
2023	138,000
2024	138,000
2025	89,000
Thereafter	270,000
	$ 911,000

The Company has guaranteed rental payments under all operating leases for each of the five shops currently under franchise agreements.

NOTE 8 FRANCHISES IN OPERATION:

The franchise activity was as follows at December 31,:

	2020	2019	2018
Franchise operating at beginning of year	6	6	6
Franchise purchase by the Company	0	0	1
Franchise closed during the year	0	0	(1)
Franchises operating at end of year	6	6	6

The Company owns and operates one franchise location as of December 31, 2020. During 2020, the Company sold one Company owned franchise.

EXHIBIT 2
FRANCHISE AND LICENSE AGREEMENT
FOR
QUALITY TUNE-UP SHOPS

(Northern California)
2021

TABLE OF CONTENTS

QUALITY TUNE-UP SHOPS

FRANCHISE AND LICENSE AGREEMENT

(The Tom McVey 2004 Quality Tune-Up Shops, LLC)

This Agreement is by and between the Tom McVey 2004 Quality Tune-Up Shops, LLC, a limited liability company (hereinafter referred to as FRANCHISOR), and ____ (herein after referred to as FRANCHISEE).

This Agreement is effective and its term shall commence the ____day of _________________, 202__.

RECITALS

FRANCHISOR and its predecessors have developed plans, methods, systems, procedures and marketing identity, retail tune-up centers, and FRANCHISOR continues to do so, and has expended time, effort and money to develop and maintain marketing knowledge of same (referred to herein as the "Franchised Business"); and

FRANCHISOR has a License to use and to Sub-License the use of the Trademarks and Trade Names, Service Marks, Logos, Words and Designs, "QUALITY TUNE-UP SHOPS" and "QUALITY TUNE-UP SHOPS" AND DESIGN and all related names and associated good will, which is part of the methods and systems of FRANCHISOR and which Marks are registered with the United States Patent and Trademark Office; and

FRANCHISOR and its predecessors have developed the basic store design for said Franchise outlets and have determined the type, style, color, quality and quantity of signs, fixtures, and inventory appropriate for such outlets; the uniformity or continuity of such outlets being essential in creating public recognition, acceptance and patronage; and

FRANCHISOR has full rights in the area described herein to use the Names and the Marks including specifically the Trade Name and Marks "QUALITY TUNE-UP SHOPS" and "QUALITY TUNE-UP SHOPS" AND DESIGN, and to franchise the use of same; and desires to grant to FRANCHISEE as part of the Franchised Business the limited use as provided for herein of the Name and Marks, subject to the provisions of this Franchise Agreement and solely for the term of the Franchise; and

It is the purpose of this Franchise and License Agreement (the "Franchise Agreement") to ensure uniform standards of appearance, quality and operation for this retail Franchise and for all retail Franchise Business; to enhance and protect the QUALITY TUNE-UP SHOPS and the QUALITY TUNE-UP SHOPS AND DESIGN Marks; to ensure fair and competitive prices, and consistent quality services, at commencement and during all of the term, to FRANCHISEE and all FRANCHISEES; and to provide a basis for a fair and efficient continuous business relationship; all of which purposes being for the mutual benefit of all parties, including FRANCHISOR and FRANCHISEE; and

FRANCHISEE has had the opportunity to be employed by FRANCHISOR as required under the terms of this Agreement and, as a result, to have become familiar with the QUALITY TUNE-UP SHOPS retail Franchise Business and the nature of the competitive market therefor; and

FRANCHISEE desires to enter into the business of operating a retail QUALITY TUNE-UP SHOP center with a protected geographical territory utilizing the Methods, Name, Marks, Designs and Systems of FRANCHISOR upon and pursuant to the terms and conditions contained in this Agreement;

NOW THEREFORE, in consideration of the mutual agreements and promises contained herein and for other good and valuable consideration received, acknowledged to be satisfactory and adequate, the parties agree as follows:

ARTICLE I

GRANT OF FRANCHISE

1.1 Subject to the provisions herein, FRANCHISOR hereby grants to FRANCHISEE the right to operate a designated tune-up retail store at the Location and within the Territorial Area, herein called "CENTER", under the Name and Marks of QUALITY TUNE-UP SHOPS and QUALITY TUNE-UP SHOPS AND DESIGN, utilizing the design, decor, business methods and other advantages and benefits thereof; exclusively within the Territorial Area at locations as described in Exhibit A.

1.2 This Franchise shall be effective as of the date set forth above and shall continue in effect until expiration, unless terminated or modified in accordance with the terms of this Agreement.

1.3 The business that FRANCHISEE shall conduct under this Franchise and License is limited to lube, oil and filter changes; tune-ups, smog testing and repairs; radiator servicing and repair; air conditioning system service and repair; transmission service and repair; fuel injection system service and repair, and brakes service and replacement with respect to automotive vehicles. FRANCHISEE shall also be limited to charging only those types of fees (i.e. waste oil fee) as permitted by the FRANCHISOR and specified in the Operations Manual. FRANCHISOR may, by prior written notice to FRANCHISEE, add additional automotive services and fees to those described above or in the Operations Manual but FRANCHISEE may not provide additional automotive services or diagnosis or charge additional fees without the prior written consent of FRANCHISOR. Except as agreed to in writing, FRANCHISEE shall not conduct any other type of business under this Franchise and License Agreement and the breach of this provision shall constitute a material breach of the Franchise and License Agreement. If a breach of this provision occurs, it is agreed between FRANCHISOR and FRANCHISEE that the business of FRANCHISOR cannot be adequately protected or compensated in monetary damages and that FRANCHISOR is therefore entitled to immediate injunctive relief, including Temporary Restraining Orders and Preliminary Restraining Orders, to prohibit FRANCHISEE from conducting business under this Agreement in violation of its terms.

1.4 This Franchise is a limited grant of rights. Upon termination for any cause (herein called “TERMINATION” or “TERMINATE”) or expiration, all rights of FRANCHISEE to operate Franchise Business as a QUALITY TUNE-UP SHOPS Franchise shall cease completely, and the Franchise itself is terminated.

1.5 This Franchise Agreement and the Franchise granted to FRANCHISEE and as well the related Franchise Documents and the Sublease of the Premises may not be assigned or hypothecated by FRANCHISEE, either voluntarily or involuntarily unless consented to in writing by the FRANCHISOR. Any attempted transfer, voluntary or involuntary, without the written consent of the FRANCHISOR shall constitute a material breach of this Agreement and FRANCHISOR may terminate this Agreement in that event, pursuant to Article XIX.

ARTICLE II

TERM OF FRANCHISE AGREEMENT

2.1 Term. The original term of this Agreement shall commence on the effective date set forth above and shall continue for up to ten (10) years (the “Term”) and terminate as follows:

A. Notwithstanding the ten year term referred to above, in the event FRANCHISOR determines during the first year of the Term that FRANCHISEE is not an acceptable Franchisee then FRANCHISOR may in its sole discretion by written notice given to FRANCHISEE at least ninety (90) days prior to the first anniversary of this Agreement, terminate this Franchise Agreement and repay in cash to FRANCHISEE all sums paid by FRANCHISEE to FRANCHISOR in payment of the Initial Franchise Fee under Section 7.1 of this Agreement as well as all sums paid by FRANCHISEE to improve the CENTER covered by the terms of this Agreement and toward the purchase of furnishings and equipment for that CENTER as well as any unused deposits under the Sublease Agreement and the purchase of usable inventory at cost. If the Franchise being terminated was a Company-owned shop acquired from the FRANCHISOR, then in addition to repayment in cash to FRANCHISEE sums paid by FRANCHISEE to FRANCHISOR in payment of the Initial Franchise Fee under Section 7.1 of this Agreement, FRANCHISOR will pay to FRANCHISEE the then current Valuation Price as determined pursuant to §16.7. FRANCHISOR shall concurrently assume and hold harmless FRANCHISEE for any obligation from date of assumption and thereafter under the Sublease Agreement of FRANCHISEE for that CENTER. Any other property of FRANCHISEE at that location, whether paid for or not, and the debt, if any, with respect thereto, including operating equipment except operating equipment under lease or purchase from FRANCHISOR, shall remain the property of FRANCHISEE and the debt with respect thereto shall be solely the obligation of FRANCHISEE and FRANCHISEE shall be responsible for its removal and the cost of the removal. FRANCHISOR shall have the right to terminate this Agreement at any time after the first year of the term only for Cause, which expressly shall include an Event of Default as defined under this Agreement, by FRANCHISEE.

B. Subject to the above provision, this Agreement shall continue in force for the initial one year term, and thereafter for an additional period of five (5) years, and thereafter for an additional period not exceeding four (4) calendar years, unless FRANCHISEE indicates its intention not to continue at the end of the initial sixth (6th) year (initial one year period plus five year period) by giving ninety (90) days written notice to FRANCHISOR. If no notice to discontinue is given by the FRANCHISEE, the Franchise term will continue for the remaining four (4) years of the ten (10) year term unless otherwise terminated pursuant to the provisions of this Agreement.

The maximum term of this Agreement, including in the event of a transfer by the Original FRANCHISEE, the original term of that FRANCHISEE and Transferor is ten (10) years from its effective date; subject however to the rights of FRANCHISOR to terminate during the first year, the right of FRANCHISEE to not renew at the end of the sixth (6th) year (first year plus initial five year term) and the right of either FRANCHISOR or FRANCHISEE not to renew at the end of the term of this Agreement on the ten year anniversary.

2.2 This Agreement will end by its terms on the earlier of:

A. The end of the first (1st) year upon ninety (90) days prior written notice by FRANCHISOR to terminate this Agreement on the terms set forth in Section 2.1(A) above;

B. The end of the sixth (6th) year upon ninety (90) days prior written notice by FRANCHISEE to terminate this Agreement; or

C. The end of a period of ten (10) years from the effective date of this Franchise Agreement as entered into by FRANCHISEE, upon ninety (90) days prior written notice by FRANCHISEE or one hundred eighty (180) days prior written notice by FRANCHISOR of its intention not to renew this Franchise Agreement.

2.3 Conditions to Renewal. If FRANCHISEE desires to renew this Franchise for another ten (10) year term, FRANCHISEE shall indicate its intention to renew by giving written notice to FRANCHISOR at least ninety (90) days prior to the end of the current ten (10) year term; provided, however, that the discretionary renewal at the end of the full ten (10) year term shall be conditional upon FRANCHISEE performing all the obligations of this Agreement without default during its term and not being in default at the time of giving the renewal notice which as described above would be not less than ninety (90) calendar days prior to the end of the full ten (10) year term.

FRANCHISEE shall have the right to exercise a renewal option if all of the following terms and conditions are met at the time of such renewal:

A. FRANCHISEE is not in default of any material term or condition of this Agreement, any amendments hereof or any other agreement between FRANCHISOR and FRANCHISEE, including the CENTER Sublease referred to in Article IV below;

B. FRANCHISEE has satisfied all monetary obligations owed by FRANCHISEE to FRANCHISOR;

C. FRANCHISEE has consistently and satisfactorily complied with the Standards of Operation set forth in Article VI of this Agreement.

D. FRANCHISEE signs the Franchise Agreement being used by FRANCHISOR at the time of renewal;

E. FRANCHISEE pays a Renewal Fee equal to one percent of aggregate Gross Revenues of FRANCHISEE for the last twelve (12) month period prior to the expiration of the ten (10) year term; and

F. FRANCHISEE executes a general release of liability in favor of FRANCHISOR regarding the previous franchise term.

2.4 Nonrenewal by FRANCHISOR. If FRANCHISOR intends not to renew this Agreement, at the end of the Term, FRANCHISOR shall provide written notice of its intention not to renew to FRANCHISEE at least 180 days prior to the expiration date of the current term. Failure by FRANCHISOR to renew this Agreement (except for the non-renewal at the end of the first year of this Agreement's Term which may be without cause), shall be for "cause" which, for purposes of this section, shall mean the failure of FRANCHISEE to substantially comply with one or more of the lawful conditions of renewal as set forth in Section 2.3 above.

2.5 It is also acknowledged and agreed that this Agreement may earlier terminate in accordance with the provisions of Article XIX of this Agreement or other sections of this Agreement relating to termination.

2.6 The term of the present Sublease with FRANCHISEE and the term of the present Master Lease of FRANCHISOR for the CENTER, including the terms of any renewal rights with respect to the Master Lease, are set forth in the Sublease between FRANCHISOR and FRANCHISEE and the Master Lease is expressly an exhibit to that Sublease, with any additions to it, including assignments, assumptions, consents, amendments, addendum and exhibits.

2.7 Effective with any Termination, whether as a result of an Event of Default or as a result of the end of the Franchise Term, FRANCHISEE shall not have the right to conduct business under this Agreement, or to use the Name(s) or Mark(s) of FRANCHISOR or any other unique or proprietary property or bearing the Name(s) or Mark(s) of FRANCHISOR at the CENTER.

2.8 In the event FRANCHISOR fails to give timely notice of its intent not to renew the agreement, then FRANCHISEE shall be permitted to continue operating the CENTER as a Franchised Business on a month-to-month basis until such time has passed to make the notice not to renew timely.

ARTICLE III

LOCATION AND TERRITORY

3.1 The address of the Subleased location for the conduct of the Franchise business covered by the terms of this Agreement is set forth in Exhibit A attached hereto and referred to herein as the CENTER.

The territorial Area is further designated on Exhibit A annexed to and made a part of this Agreement.

The Protected Territorial Area of this Franchise is a radius of one (1) mile, measured from that Location, as further designated in red on Exhibit A annexed to and made a part of this Agreement ("Protected Territory").

3.2 FRANCHISEE shall have the right and obligation to operate and conduct business at the CENTER located at the business Location described in Exhibit A, pursuant to the Franchise Documents and the Sublease.

3.3 FRANCHISEE shall have the right only to operate the CENTER described above and to have the Protected Territory as described above during the term of this Agreement. In the event only that the Lease of FRANCHISOR for the CENTER terminates prior to the termination of this Agreement and if FRANCHISEE is current in its obligations to FRANCHISOR and not otherwise in default under this Agreement, then FRANCHISOR and FRANCHISEE shall make a reasonable good faith effort to renew the existing Lease or locate and agree on a new CENTER Location. FRANCHISOR shall not be obligated to sublease any Business Location owned and operated by FRANCHISOR as a Company-Owned Location to FRANCHISEE in that event. In the event FRANCHISOR and FRANCHISEE are not able to renew the existing Lease or locate a new CENTER location suitable to both of them prior to the termination of the Lease at the existing Location or within a period of ninety (90) calendar days thereafter, then this Agreement shall terminate at the election of either FRANCHISOR or FRANCHISEE by giving written notice to the other, the termination to be effective on the date of receipt of the notice by the other party, or within ten (10) calendar days from the date the notice is deposited in the United States Mail by Certified or Registered Mail, Return Receipt Requested, postage prepaid. The address shall be the last address available to the party giving notice and, if that address be different than FRANCHISOR'S principal place of business at that time and the CENTER address described in Exhibit A, then as well to that address.

The Agreement of FRANCHISEE to a new CENTER shall expressly include execution by FRANCHISEE of a new Franchise And License Agreement on the then current form of Agreement of FRANCHISOR and the execution of a new Sublease for that location, incorporating the provisions of the Master Lease in which FRANCHISOR is Lessee in the standard form of Sublease of FRANCHISOR.

Unless otherwise agreed in writing between FRANCHISOR and FRANCHISEE, it shall be the sole responsibility of FRANCHISEE to pay any and all acquisition and improvement costs, if any, for the new CENTER, including any payment obligations under the Master Lease which shall be the obligation of FRANCHISEE under the provisions of the Sublease. Those responsibilities shall be in addition to the responsibilities of FRANCHISEE under the new Franchise Agreement. FRANCHISEE shall not be required to pay a new initial Franchisee Fee as defined below. FRANCHISEE shall be responsible for any unpaid obligations under the Agreements between FRANCHISOR and FRANCHISEE with respect to the original CENTER and for any additional fees or expenditures respecting the new Location, including but not limited to opening inventory, opening costs, leasehold improvements, signs and equipment and furnishings.

3.4 In the event the Master Lease for the existing CENTER of FRANCHISEE terminates and the Lessor under that Master Lease will renew it, subject to execution of a new Master Lease or revision of the existing Master Lease, FRANCHISOR shall have the right to determine whether to renew the Master Lease or not on terms suitable to FRANCHISOR. In the event FRANCHISOR elects not to renew the Master Lease, then the provisions of Section 3.3 of this Agreement shall apply. If FRANCHISOR elects to renew the Master Lease, FRANCHISOR shall notify FRANCHISEE in writing thereof, the notice to include an explanation to FRANCHISEE of the new or revised Lease provisions under the terms of the Master Lease for the additional term. Solely in the event: (i) the monthly rental obligation exceeds twenty percent (20%) of the highest monthly rental obligation payable during the last twelve (12) months under the prior Master Lease during the first year of the new term; or (ii) an increase exceeding five percent (5%) per month for the second year and an average of an additional five percent (5%) per month increase for each consecutive year thereafter during the new term, FRANCHISEE shall have the right to notify FRANCHISOR in writing that FRANCHISEE does not agree to the new Master Lease for that location. If FRANCHISEE refuses to accept the new Sublease, FRANCHISOR may at its sole election not renew the Master Lease and terminate the FRANCHISEE'S franchise or renew the Master Lease and operate the location as a Company owned location, subject to the right of FRANCHISOR to sublease that location to another FRANCHISEE. In that event only, the Sublease of FRANCHISEE shall terminate without further act or notice required and the rights of FRANCHISEE shall be solely those contained in Section 3.3 upon termination of the Master Lease and Sublease for the CENTER location. Concurrent with the termination of the Sublease, FRANCHISEE agrees to remove its property and business from the CENTER location at its sole expense and, whether or not a new location has been agreed to or whether or not the new location is available on that date. In the event the rental increase, including deposit, is not greater than that determined as provided for herein, then FRANCHISEE shall remain obligated under the terms of this Sublease and the failure of FRANCHISEE to do so shall result in a termination of the Franchise Agreement as well as the Sublease not later than the date on which the prior Master Lease and Sublease terminates.

3.5 Except as here provided, FRANCHISEE shall not have the right to operate a CENTER at any other location and shall not in any event have the right to contract directly with a third party respecting the conduct of a QUALITY TUNE-UP SHOP or the Sublease of a CENTER for that purpose.

3.6 FRANCHISOR will not operate or authorize any other person to operate a CENTER within the Protected Territory defined in Exhibit A.

3.7 <u>Rights Retained by FRANCHISOR</u>. The FRANCHISOR retains the following rights in FRANCHISEE'S Protected Territory:

A. FRANCHISOR and any parent subsidiary or affiliate of the FRANCHISOR may market to and service certain Commercial Accounts that have contracted (or may in the future contract) with FRANCHISOR or any parent, subsidiary or affiliate of FRANCHISOR for services irrespective of where the customer is located or the service is provided. "Commercial Accounts" shall include corporate accounts involving national or regional auto dealers, rental car agencies, fleet operators or similar businesses.

With regard to a Commercial Account having multiple corporate sites, if any of such corporate sites are located in an existing Protected Territory, the FRANCHISOR will offer to the franchisee(s) having the Protected Territory, the right to service those corporate accounts located in a franchisee's Protected Territory, *provided that* (a) the FRANCHISEE(s) can effectively service such corporate accounts and (b) a franchisee is in full compliance with all operating standards of the Franchised Business. Within twenty (20) days following receipt of notification from FRANCHISOR of an offer to service the corporate account of a Commercial Account (including the terms, conditions and prices which FRANCHISOR and the Commercial Account have contracted to), the FRANCHISEE shall notify FRANCHISOR in writing whether it will service such corporate account, accept the duties, obligations and rights under FRANCHISOR'S contract, and render such services to a Commercial Account under the terms, conditions and prices set forth in FRANCHISOR'S contract (such prices possibly being less than the prices charged by a franchisee to its other customers).

B. FRANCHISOR may in the future choose to own and operate a Franchised Business. However, FRANCHISOR will not carry on its business in any franchisee's Protected Territory.

C. FRANCHISOR can require FRANCHISEE to limit its advertising and business activities to the Protected Territory designated in Exhibit A.

ARTICLE IV

<u>SUB-LEASE AND LICENSE</u>

4.1 FRANCHISEE will execute a written Sub-Lease Agreement for the CENTER designated above, concurrent with the commencement of the Franchise, on the then current standard Sublease Form of FRANCHISOR which shall incorporate as an obligation of FRANCHISEE as Sublessee each and all of the provisions of the Master Lease in which FRANCHISOR is Lessee. A copy of the Master Lease and any amendments to it, including assignments or transfers, shall be an Exhibit(s) to the Sublease of FRANCHISEE. Failure to pay all obligations under the Sub-Lease Agreement will be cause for termination of this Franchise Agreement.

4.2 It shall be the sole obligation of FRANCHISEE to qualify for and obtain timely any licenses or permits required for the conduct of the business of FRANCHISEE at the CENTER Location, including but not limited to the Smog Check Station License and the Technician Licenses issued by the BAR and the Automotive Repair Dealer ("ARD") License required by the California Department of Consumer Affairs and to pay any fees to obtain and to maintain and comply with required licenses and permits timely. It shall be the sole responsibility of FRANCHISEE to maintain and renew currently and timely any license or permit and to comply with any required procedures or amended provisions with respect thereto. FRANCHISEE agrees that any requirements respecting maintaining and/or posting of any license or permit at the Location and any duties and requirements respecting performance under any such license or permit shall at all times be maintained and supervised so that the uniform standards of quality and performance required to maintain such licenses and permits in good standing are assured.

FRANCHISEE further agrees that in the event FRANCHISEE receives any notice of infraction or violation respecting any license or permit described herein or respecting its conduct of business at the CENTER, it will immediately notify FRANCHISOR in writing thereof, attaching a copy of such notice; or in the event there not be a notice at the time FRANCHISEE first learns of the facts or events respecting any possible violation or infraction, then by written notice to FRANCHISOR of the facts that have come to the attention of FRANCHISEE. In said event, FRANCHISEE agrees at its sole expense to timely respond to any notice or action respecting an alleged violation by it and to immediately correct any alleged infractions in a reasonable and responsible manner.

In the event FRANCHISEE is unable to continue to conduct its business for a period of ninety (90) days or more as a result of any action taken by any governmental agency against it or if a necessary license is suspended or revoked for a period in excess of 90 days, then FRANCHISOR shall have the immediate right by prior written notice to FRANCHISEE to terminate this Agreement or to take possession of and to conduct the QUALITY TUNE-UP SHOP business previously conducted by FRANCHISEE at that Location, subject to FRANCHISOR obtaining the licenses or permits required to do so. In that event, FRANCHISOR shall be entitled to use of the equipment and furnishings of the CENTER of FRANCHISEE for the purpose of conducting the QUALITY TUNE-UP SHOP at that CENTER until the earlier of (i) FRANCHISEE being licensed to resume conducting the Franchised Business in which case FRANCHISEE shall assume all debt incurred during the period the CENTER was operated by FRANCHISOR; or (ii) a period of three (3) calendar months from the effective date of revocation. In the event FRANCHISEE is not licensed within three (3) calendar months from the date of revocation, then FRANCHISOR shall have the option to either terminate this Agreement, any related Agreements and the Sublease, or to extend the three (3) month term for an additional period not exceeding three (3) additional months, for a total of six (6) months from the date of revocation.

During any period in which FRANCHISOR operates the CENTER on behalf of FRANCHISEE, FRANCHISEE shall remain liable for any unpaid operating expenses of the CENTER including royalties, rent, advertising and any other debts incurred during such period. In addition, FRANCHISOR is permitted to be reimbursed for any expenses incurred by FRANCHISOR in conjunction with operating the CENTER. In the event FRANCHISEE has not been licensed to conduct business at that CENTER at the end of three (3) months, or at the end of six (6) months in the event FRANCHISOR so elects, then the Franchise Agreement and Sublease shall terminate concurrently. FRANCHISOR may, but is not required to purchase the business of FRANCHISEE (the "Purchase Date"). In that event, the purchase price payable by FRANCHISOR to FRANCHISEE shall be the Book Value of that business, determined as provided in Section 16.7, in accordance with generally accepted accounting principles consistently applied. All of said sums shall, at the option of FRANCHISOR, be payable in cash within sixty (60) days of the Purchase Date or, in the alternative, shall be payable twenty-five percent (25%) or more down within sixty (60) days of the Purchase Date and the balance, together with seven percent (7%) interest per annum commencing on the sixty-first (61st) day and payable over a term not to exceed thirty six (36) months after the Purchase Date. Any sums owed FRANCHISOR by FRANCHISEE shall be offset against the obligation of FRANCHISOR to FRANCHISEE hereunder. FRANCHISEE agrees to cooperate with FRANCHISOR in delivery of possession of the business Location of FRANCHISEE in said event and to provide access to FRANCHISOR to business records and documents of FRANCHISEE respecting the Franchise Business and the assets thereof.

ARTICLE V

TRAINING AND ASSISTANCE

5.1 FRANCHISOR will require any prospective FRANCHISEE to: (i) be employed full-time by FRANCHISOR for not less than six (6) months; or be employed full-time by a Franchisee of FRANCHISOR for not less than six (6) months or longer in the sole discretion of FRANCHISOR; and (ii) have at least two (2) years of prior experience in the operation and/or management of a similar business that FRANCHISOR in its discretion determines constitutes sufficient qualification of the proposed FRANCHISEE to conduct the Franchised Business under the terms of this Agreement.

5.2 Prospective franchisees not meeting the above pre-requisites or prospective franchisees who FRANCHISOR, in its sole discretion, determines are not deemed qualified to operate the Franchised Business, will be required to complete the “New Franchisee Training Program” and pay a separate training fee of $5,000.

5.3 Additional Training.

A. FRANCHISOR is not required to provide any additional training program for FRANCHISEE in addition to the initial training set forth in Sections 5.1 and 5.2 above. However, if at any time FRANCHISEE or any of FRANCHISEE'S employees request or if FRANCHISOR, pursuant to Paragraph B below shall require, additional training, FRANCHISOR will provide such additional training at FRANCHISEE’S CENTER, for the number of days requested by FRANCHISEE at the cost to FRANCHISOR of the salary or wages of the persons conducting the additional training. If such additional training is deemed necessary by FRANCHISOR, then such training will be provided at FRANCHISOR'S expense.

B. FRANCHISOR will require persons subsequently employed by FRANCHISEE in any management position to also meet the experience requirements of Section 5.1 above.

C. FRANCHISEE or its designated manager must also attend such additional courses, refresher training, seminars, or conventions as FRANCHISOR may reasonably require from time to time during the term of this Agreement. Any such refresher training, seminars, or conventions would be at FRANCHISOR'S expense except that the attendee would be responsible for all expenses related to such training such as salary, travel, lodging and meal expenses while attending such event. In addition, each employee of FRANCHISEE must complete additional courses or refresher training either by attending FRANCHISOR sponsored presentations or attending an authorized FRANCISEE sponsored presentation.

5.4 FRANCHISOR will assist FRANCHISEE in establishing, promoting and operating the Franchised Business to the extent reasonably possible. If FRANCHISEE requests additional, individual consultation, FRANCHISOR will provide such additional assistance on a mutually agreeable time schedule for the number of days requested by FRANCHISEE, and for the fee set forth in Section 5.3(A) above.

ARTICLE VI

STANDARDS OF OPERATION

6.1 FRANCHISOR has established and may from time to time additionally establish, by addition or revision, standards of required performance by FRANCHISEE with respect to the maintenance of the Location and operation of FRANCHISEE'S business as a QUALITY TUNE-UP SHOP.

6.2 The parties agree that the Marks QUALITY TUNE-UP SHOPS and QUALITY TUNE-UP SHOPS AND DESIGNS, the CENTER designs, concepts, market acceptance and reputation are a substantial part of the value of the Franchise. FRANCHISOR therefore agrees to maintain reasonably uniform standards for all QUALITY TUNE-UP SHOPS, including those of all FRANCHISEES as well those that are operated by FRANCHISOR and FRANCHISEE agrees to perform the obligations under this Agreement to establish and maintain those standards at FRANCHISEE'S CENTER, as an essential part of the value of the Franchise granted and the rights and obligations of each party with respect thereto.

6.3 FRANCHISOR and FRANCHISEE agree:

A. That FRANCHISEE shall be obligated to substantially operate the CENTER in accordance with the standards established by FRANCHISOR from time to time during the term of this Agreement as set forth in the Operations Manual. The Manual covers both accounting and financial operations and responsibilities as well as the conduct of business by FRANCHISEE including the training, supervision and performance of FRANCHISEE'S employees; the quality and consistency of the services provided by FRANCHISEE and its employees to customers; the appearance, maintenance and use of the improvements at the Location; the maintenance, upkeep and performance of the equipment used by FRANCHISEE in the conduct of its business and other matters reasonably related to the orderly and consistent compliance by FRANCHISEE and its employees with the standards established and required by FRANCHISOR.

B. FRANCHISOR and FRANCHISEE agree that the performance by FRANCHISEE of these provisions is essential to the successful continuation of this Franchise and the entire FRANCHISOR's Franchise Program and FRANCHISOR shall have the right to independently access all information collected or compiled by FRANCHISEE at any time without first notifying FRANCHISEE or obtaining FRANCHISEE's consent. FRANCHISEE'S failure to comply with these provisions shall constitute a breach of this Agreement after written notice and failure to correct by FRANCHISEE as hereinafter provided for in Article XIX ("Event of Default").

6.4 Operation of CENTER:

A. FRANCHISEE agrees to personally participate, by each Principal(s), on a full time basis both in the operation and in the direct management of the CENTER, and to diligently devote FRANCHISEE'S best efforts to the operation so as to maximize sales and profits. For this purpose "FRANCHISEE" includes the sole proprietor or, if a partnership/LLC, each and all of the partners/members who are the owner/owners of the named FRANCHISEE under this Agreement. An interest in a QUALITY TUNE-UP SHOP'S Franchise may not be owned by a person who does not actively and continuously participate in the ownership and operation of the business at the Location in accordance with the provisions of this Agreement. For this purpose "Owner" includes any person entitled to participate in the profits or losses from the conduct of the business at the Location, whether an employee or not and whether named or not, except in the event the written consent of FRANCHISOR is first obtained, and solely in the event FRANCHISEE elects to compensate a supervisory employee who is not an owner to include participating in operating profits. No Owner shall have the right to contract with any other person whatsoever respecting the obligations of the Owner under this Agreement and in particular this Article VI. "Full Time" as used herein is not less than forty (40) hours per week, or such additional time as may reasonably be required to the operation of the business pursuant to this Agreement. The time required to be expended by the Owner as provided for herein is respecting time in active conduct of the business at the Location on a regular and continuing basis weekly and each consecutive week and does not include time required to be expended by the Owner other than at the Location. "FRANCHISEE" as here used includes only the persons described above who have qualified and met the requirements of a FRANCHISEE here described, and does not include a spouse of any of the above named parties, whether that spouse claims an ownership interest in the FRANCHISEE company and/or being a consenting signatory to this Agreement.

B. FRANCHISEE shall operate and maintain the CENTER solely at the Location designated herein and at no other Location(s) and only in accordance with the business standards, procedures, policies and techniques comprising the Franchise as specified by FRANCHISOR.

C. FRANCHISEE will use experienced mechanics to service vehicles. FRANCHISEE will only use mechanics who have suitable background and exhibit high quality and timely work.

D. FRANCHISEE acknowledges that from time to time hereafter, Franchisor may change or modify the Franchised Business including, without limitation, the adoption and use of new or modified trade names, trademarks or service marks, new services or products, or new techniques and such modifications will be communicated to FRANCHISEE through directives or notices as may be distributed by the FRANCHISOR. FRANCHISEE shall accept, implement and display, for the purpose of this Agreement, any such changes in the Franchised Business as if they were part of this Agreement at the time of execution hereof. FRANCHISEE shall implement such changes or modifications within a reasonable time and make such expenditures as are reasonably required by such changes or modifications in the Franchised Business. FRANCHISEE shall not change, modify, or alter the Franchised Business in any way unless authorized or directed to do so by FRANCHISOR.

E. FRANCHISEE acknowledges that because complete uniformity under many varying conditions may not be possible, practical or appropriate, FRANCHISOR specifically reserves the right, at its sole discretion and as it may deem in the best interest of all concerned in any specific instance, to vary standards for any franchisee based upon any condition which FRANCHISOR deems to be of importance to the successful operation of such franchisee's business. FRANCHISEE shall not be entitled to require FRANCHISOR to grant FRANCHISEE a like or similar variation.

6.5 Improvements:

FRANCHISEE shall periodically make improvements to the CENTER and refurbish it as required by FRANCHISOR in FRANCHISOR'S discretion, to maintain the uniform standards of QUALITY TUNE-UP SHOPS, including without limitation remodeling and redecorating the interior and exterior, as well as maintaining the interior and exterior in a clean, neat and orderly condition, and undertaking such repair and replacement of existing fixtures, furnishings, signs and equipment as may be necessary to reflect, maintain and enhance the good will associated with the Franchise. All responsibilities hereunder shall be conducted in a manner that shall not interfere with the Lease of FRANCHISOR with the Owner of the Location, or with the Sub-Lease with FRANCHISOR. FRANCHISEE acknowledges that it may have to make capital expenditures from time to time during the term of this Agreement for these purposes. The obligation provided for in this Section shall be done by FRANCHISEE in accordance with current standards of FRANCHISOR for fixtures, furnishings, signage and equipment.

The obligations of FRANCHISEE shall include but not be limited to responsibility to completely paint as reasonably required by FRANCHISOR the full exterior and interior of the CENTER improvement and the repaving or resealing of the parking area not less frequently than every three (3) years during the term of this Agreement, maintain the remainder of the exterior of the Location improvements including all Quality Tune-Up signage and any paved areas and landscaping in a good and presentable condition at all times during the term. The interior and exterior of the Location shall be maintained on a daily basis in a broom-clean condition. Solely in the event FRANCHISEE fails to comply with the provisions of this Section, FRANCHISOR may at its option and after prior request in writing to FRANCHISEE to do so proceed to have the work done in which event FRANCHISEE shall be obligated to reimburse FRANCHISOR the full cost to FRANCHISOR thereof based upon a written statement delivered by FRANCHISOR to FRANCHISEE together with interest on said sums until paid at the maximum legal rate of interest then chargeable under California Law.

6.6 Hours, Maintenance Standard and Dress and Grooming Standards:

A. FRANCHISEE shall operate the CENTER during the times set forth in Exhibit A. FRANCHISEE may operate the CENTER additional hours. FRANCHISOR and FRANCHISEE may agree in writing to reduce the hours that FRANCHISEE shall operate in the event that there are sound business reasons to do so for that specific CENTER Location. FRANCHISOR may at any time, on not less than thirty (30) days prior written notice, increase the hours of operation required by FRANCHISEE; except that unless FRANCHISOR and FRANCHISEE agree in writing, the required hours shall not be earlier or later than 8:00 A.M. through 8:00 P.M. on Monday through Friday; 8:00 A.M. through 5:00 P.M. on Saturday; and 9:00 A.M. through 5:00 P.M. on Sunday.

B. FRANCHISEE shall at all times maintain the standards and responsibilities of this Agreement, as they relate to hours, personnel, Location, equipment and inventory so that they are sufficient to operate the CENTER at maximum capacity and efficiency.

C. FRANCHISEE shall at all times maintain at the CENTER an adequate number of neat, clean, competent and courteous employees to insure performance of the requirements of this Franchise. FRANCHISEE agrees to contract for either purchase or lease of uniform work clothing designated by FRANCHISOR and to require employees, including the Principal(s) of FRANCHISEE, to wear that clothing during staffing of the Location and to maintain it in clean and orderly condition and appearance at all times. FRANCHISEE shall at all times keep FRANCHISOR advised in writing of the names and home addresses and telephone numbers of all employees and personnel of FRANCHISEE, and of the designated position and responsibilities of each employee in the operation of the Franchise and of the license(s) held by each employee, if any.

D. FRANCHISOR shall have the right at all times during the term of this Agreement to require that FRANCHISEE acquires additional equipment or makes modifications to the CENTER where necessitated by regulations or directives, in whatever form, of any regulatory agency, whether State or Federal, whether for purposes of adding additional equipment to perform services covered by the terms of this Franchise Agreement, for the purpose of replacing existing equipment to provide a higher standard of service or to comply with state requirements like the American's with Disabilities Act. In that event FRANCHISOR shall give not less than thirty (30) days written notice to FRANCHISEE, describing in detail the additional equipment or modifications required and the reason or reasons for that requirement. The failure of FRANCHISEE to purchase the additional equipment or make such modifications, within a period not to exceed sixty (60) calendar days following the end of the thirty (30) day notice period shall constitute a material breach of this Agreement and shall entitle FRANCHISOR to give thirty (30) days written notice of termination, subject to FRANCHISEE complying with these obligations during that period, as provided for in this Agreement.

FRANCHISEE shall not purchase any additional equipment for purposes of testing, diagnosis, or repair services as consented to under the terms of this Agreement without the prior written consent of FRANCHISOR.

FRANCHISEE shall <u>not</u> use any equipment used by it in the conduct of business under this Agreement for the purpose of providing any services other than those expressly provided for in this Agreement and the Operations Manual or first consented to in writing by FRANCHISOR.

6.7 FRANCHISEE also agrees as follows:

A. That representatives of FRANCHISOR shall have the right to enter the CENTER of FRANCHISEE at all reasonable times for the purpose of making inspection or examinations, conferring with and assisting FRANCHISEE and its employees, examining any and all business and accounting records and equipment and supplies, determining whether the business is being operated and maintained in accordance with the requirements of this Agreement and the documents and materials described herein and for any and all other purposes reasonably related to this Agreement and the conduct of the Franchised Business thereunder.

B. FRANCHISEE agrees that all statements, reports and information required to be submitted to FRANCHISOR, as provided for in this Agreement, the documents and materials provided by FRANCHISOR as herein provided for, shall be submitted on time and on forms or in a format supplied by or acceptable to FRANCHISOR. FRANCHISEE agrees that all information so supplied shall be true, accurate and complete, and shall not contain any misleading or false statements, whether as a result of inclusion or exclusion from the required reportable information.

C. FRANCHISEE authorizes all fees due under this Franchise Agreement including royalties, administrative fees and advertising fees to be paid, at FRANCHISOR's option, by automatic electronic fund transfers ("EFT") from FRANCHISEE's business account.

6.8 The provisions of this Article VI in their entirety are incorporated in Article XIX of this Agreement ("Event of Default").

ARTICLE VII

INITIAL FRANCHISEE COSTS

7.1 Initial Franchise Fee. As consideration for the grant of the Franchise described in Article I and the Protected Territory described in Article II, FRANCHISEE agrees to pay to FRANCHISOR an initial Franchisee Fee of Twenty-Five Thousand Dollars ($25,000.00) payable by FRANCHISEE to FRANCHISOR at the time the FRANCHISEE signs this Agreement. If FRANCHISEE is converting an existing automobile repair/service facility (in operation for at least two years) to a Quality Tune-up Shop, the Initial Franchise Fee will be Twelve Thousand Five Hundred Dollars ($12,500.00).

7.2 The Initial Franchise Fee provided for in this Article VII is payable in cash concurrent with the signing of this Agreement; however, the FRANCHISOR may at its option allow FRANCHISEE to pay that fee or any portion thereof in installments of up to 12 months (terms rather than cash). In said event only, the balance due shall be secured and shall bear interest at a rate per annum (computed on the basis of a three hundred sixty (360) day year, actual days elapsed) two point five percent (2.5%) above the prime rate in effect from time to time charged by Bank of America Trust and Savings Association at its San Francisco, California office. The “prime rate” is a base rate that Bank of America from time to time establishes and which serves as the basis upon which effective rates of interest are calculated for those loans made to its preferred customers. Each change in the rate of interest hereunder shall become effective on the date each prime rate change is announced by that Bank at that office. The rate of interest shall be effective during the term of payment and before and after a breach, if any. This obligation may, at the request of FRANCHISOR, be secured by Deed(s) of Trust on the principal residence and/or other real property owned by FRANCHISEE and/or by a Security Agreement on the interest of FRANCHISEE in the personal property purchased at the time of acquiring the Franchise or any portion thereof and as well other personal property in which FRANCHISEE or Principal(s) of FRANCHISEE have an ownership interest and in this Franchise And License Agreement and in the Sublease Agreement of the FRANCHISEE for the CENTER. FRANCHISOR may take a security interest in this Franchise Agreement but, as provided for herein, no other person may receive or may be granted a security interest of whatsoever type or nature herein, voluntary or involuntary, express or implied. Any security interest of FRANCHISOR granted under the terms of this provision shall be junior only to any prior security interest with respect to any of the real property or personal property subject to the security interest and FRANCHISEE warrants and represents that the information provided to FRANCHISOR respecting any prior security interest(s) is accurate and correct as of the date of execution of this Agreement and that, if first requested in writing by FRANCHISOR, FRANCHISEE will either provide to FRANCHISOR or will reimburse FRANCHISOR for the cost of a policy of title insurance with respect to each parcel of real property security and a Search and Guaranty respecting prior security interests in any personal property security.

7.3 In addition to the Initial Franchise Fee provided for under this Article VII, FRANCHISEE shall be required at the time of granting of and commencing with the business under this Franchise to pay to FRANCHISOR or to third party suppliers, additional sums, either in cash or pursuant to financing or lease arrangements, respecting the following:

1. Inventories of parts, components and expendables;

2. Equipment lease or purchase agreements or cash with respect to equipment required by FRANCHISOR to perform the services at the business location;

3. The cost or Fair Market Value of signage at the CENTER and leasehold improvements required at the CENTER for FRANCHISEE'S conduct of business;

4. Deposit up to $50,000 with FRANCHISOR to be held by FRANCHISOR ("Fee Deposit") to be used to pay any future delinquent payments owed to FRANCHISOR by FRANCHISEE. The exact amount of the Fee Deposit shall be determined by FRANCHISOR in its sole discretion.

FRANCHISEE shall be obligated to pay FRANCHISOR any amounts expended by FRANCHISOR to improve, remodel or re-fixture the CENTER at the Location covered by the terms of this Franchise, in cash in the amount of the actual sums so paid and/or expended or for which FRANCHISOR is obligated for payment or expenditure.

ARTICLE VIII

FRANCHISE FEE

8.1 Monthly Royalty Fees

A. FRANCHISEE agrees to pay to FRANCHISOR a Monthly Royalty equal to ten percent (10%) of the gross revenues of FRANCHISEE as defined in Section 9.1, or $2,000, whichever is greater, for the immediate preceding calendar month.

B. Notwithstanding the provisions of Section 8.1A above, in the event that FRANCHISEE is not in default respecting the following performance obligations under this Agreement:

1. Payment timely and without default of all obligations of FRANCHISEE under this Agreement to FRANCHISOR or third parties, including payment of any unpaid portion of the initial Franchisee Fee, payments required by the CENTER Sublease, Royalty and Administrative Fee payments and advertising expenditures/fees;

2. Performance without default of the obligations for the CENTER and for employee performance, presence and appearance at the CENTER;

3. Compliance with all the terms and conditions of this Agreement; and

4. Maintaining gross revenues at the CENTER and not having monthly gross revenues for a consecutive three (3) calendar month period be in an amount that is less than the CENTER gross revenues for the same or corresponding months of the prior calendar year;

then FRANCHISEE shall be entitled to pay to FRANCHISOR a Monthly Minimum Royalty equal to the lesser of a revised percentage of gross revenues based upon monthly gross revenues as provided for in subparagraph (a) below or a Minimum Monthly Royalty determined pursuant to paragraph (b) below, as follows:

(a)

Monthly Gross Revenues of FRANCHISEE	Revised Monthly Royalty
$45,000 or less	10%
$45,000 – $54,999	9%
$55,000 – $64,999	8%
$65,000 – $74,999	7%
$75,000 – $84,999	6%
$85,000 or more - fixed Royalty of $5,100.00 per month	

(b) Or, in the event the monthly sales of FRANCHISEE in the current calendar month exceed the monthly sales of FRANCHISEE for the same month in the prior calendar year, then the ten percent (10%) Monthly Royalty on gross sales of FRANCHISEE shall be computed on the lower monthly sales for the same month in the prior calendar year.

(c) However, in no event will the Monthly Royalty be less than $2,000.

(d) FRANCHISOR reserves the right to offer other incentive programs affecting royalties to be paid by FRANCHISEE, provided that in no event shall any incentive program increase the FRANCHISEE's monthly maximum royalty above 10% of FRANCHISEE's gross revenues.

In the event FRANCHISEE fails to pay the Monthly Royalty determined as provided above so that it is received by not later than the date due by FRANCHISOR, or in the event FRANCHISEE is otherwise in default as provided above, FRANCHISEE shall not be entitled to participate in the provisions of this Section 8.1(B) and FRANCHISEE'S Minimum Monthly Royalty for each such month shall be computed on the basis of ten percent (10%) of the gross revenues of FRANCHISEE as defined in Article VIII. Any Monthly Royalty not paid by the end of the month in which due, will be deducted from the FRANCHISEE's Fee Deposit. FRANCHISOR will promptly notify FRANCHISEE of any application of FRANCHISEE'S Fee Deposit and FRANCHISEE will have sixty (60) days to replenish the Fee Deposit to restore the balance to the original amount required. Failure to replenish the Fee Deposit account will be an event of default under this Agreement. *However,* should the entire Fee Deposit be exhausted, then the FRANCHISEE will have only fifteen (15) days to cure such deficiency or be in default pursuant to §19.3(A).

In the event of a default as provided above, FRANCHISEE will be required to pay the full Royalty of ten percent (10%), and, thereafter, FRANCHISEE shall not be eligible to participate in the provisions of this Section 8.1(B) until a period of six (6) calendar months has passed during which FRANCHISEE pays the ten percent (10%) Royalty timely and is not otherwise in default with respect to the above provisions. In said event only, FRANCHISEE shall be eligible to participate in the provisions of this Section 8.1(B) commencing with the seventh (7th) month and thereafter. Alternatively, if FRANCHISEE defaults in any respect in performance of the obligations set forth above in Section 8.1(B) during the six (6) month period, the six (6) month period of ineligibility shall commence with the month of further default and be in effect for a six (6) month period including that month.

C. All royalties due are to be paid directly to and received by FRANCHISOR on or before the fifteenth (15th) day of each and every successive month beginning the fifteenth (15th) day of the calendar month immediately following the month in which the sale of the Franchise takes place and continuing until the fifteenth (15th) day of the calendar month immediately following the termination of this Franchise.

8.2 <u>Administrative Fee</u>

A. FRANCHISEE agrees to pay to a bookkeeping service designated by FRANCHISOR, a monthly Administration Fee in an amount determined as here provided. For that Fee the designated bookkeeping service shall prepare for FRANCHISEE from information provided by FRANCHISEE and required under the terms of this Agreement and with the consent of FRANCHISEE, the following monthly reports/records:

1. Payroll;

2. General Ledger;

3. Profit and Loss Statement; and

4. Balance Sheet.

The current amount of the monthly Administrative Fee as of the date of this Agreement is Seven Hundred Fifty Dollars ($750.00) and is due and payable on or before the 15th day of each month. FRANCHISOR may at its option, but on not less than sixty (60) days' prior notice to FRANCHISEE, change the designated bookkeeping service provider or the Administrative Fee to either two percent (2%) of FRANCHISEE's gross revenues, or to a flat monthly fee different than provided hereinabove. Following notice, any such change shall amend this Agreement and shall at that time become a part of and shall, as changed, be an obligation of FRANCHISEE. FRANCHISOR agrees that any change shall be reasonably related to change in the cost of the designated service provider, including both direct and indirect cost, of providing these services. FRANCHISOR also agrees that any fixed Administrative Fee, but not an Administrative Fee based upon two percent (2%) of FRANCHISEE'S gross revenues, shall not be changed more frequently than once in any six (6) month period during the term. The Administrative Fee shall be payable directly to the designated bookkeeping service and at the same time as set forth in subsection 8.1(C) for the Royalty Fee.

B. FRANCHISEE is required to use the bookkeeping service designated by FRANCHISOR and to provide the information, reports, documents, tax returns and access to the books and records of FRANCHISEE to such designated bookkeeping service unless authorized by FRANCHISOR in accordance with Article XII of this Agreement.

8.3 Late Fee. If FRANCHISEE fails to pay to FRANCHISOR the Franchise Fee, or any installment payment of the Franchisee Fee if paid in installments, monthly Royalty Payments, the Administrative Fee, or any other sums due to FRANCHISOR hereunder, FRANCHISOR will apply funds from the FRANCHISEE’s Fee Deposit account to delinquent monthly royalty payments or any other amounts owed to FRANCHISOR. Furthermore, FRANCHISEE acknowledges this will cause FRANCHISOR to incur costs not contemplated by this Franchise Agreement, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, process and accounting charges and other charges or expenses for which FRANCHISOR may be obligated or may necessarily incur as a result of late payment by FRANCHISEE. Accordingly, if any such sum due from FRANCHISEE to FRANCHISOR shall not be received by FRANCHISOR or FRANCHISOR's designee within five (5) calendar days after such amount shall be due then, without any requirement for notice to FRANCHISEE, FRANCHISEE shall pay to FRANCHISOR a Late Charge equal to the greater of ten percent (10%) of such overdue amount or Three Hundred Dollars ($300.00). It is agreed between FRANCHISOR or FRANCHISEE that such Late Charge represents a fair and reasonable estimate of the costs FRANCHISOR will incur by reason of late payment by FRANCHISEE. Acceptance of such Late Charge by FRANCHISOR shall in no event constitute a waiver of FRANCHISEE’S default or breach with respect to such overdue amount, nor prevent FRANCHISOR from exercising any of the other rights and remedies granted under this Franchise And License Agreement and the Late Charge under this provision shall be a part of the payment obligation which is delinquent and shall be added to that obligation and constitute a part of the default under that obligation by FRANCHISEE from date of default and thereafter.

ARTICLE IX

ACCOUNTING REPORTS AND GROSS REVENUES

9.1 The term "Monthly Gross Revenues" used herein, is defined as all revenue of FRANCHISEE on the accrual basis of accounting directly or indirectly resulting from operation of FRANCHISEE'S business. No deductions may be made from Monthly Gross Revenues in computing those fees and charges, excepting the parties agree that:

A. Sales tax lawfully collected from customers of FRANCHISEE for transmittal to appropriate taxing authorities shall not be included in "Monthly Gross Revenues."

B. The actual Certificate Fee(s) paid by the customer for the California Smog Certificate required and administered by the BAR shall not be included in “Monthly Gross Revenues.”

9.2 FRANCHISEE agrees as follows:

A. To keep true, complete and correct books of account and business records in accordance with methods and procedures established by FRANCHISOR.

B. To send written or computer generated reports to FRANCHISOR respecting the operation of the Franchise and the income received by the CENTER by categories, as set forth on prescribed FRANCHISOR forms or format, on or before the date due including but not limited to the monthly report of "Monthly Gross Revenues" due with the monthly payment of the Royalty and Administrative Fee.

C. FRANCHISEE shall be required to submit to FRANCHISOR on or before ten (10) calendar days from submittal by FRANCHISEE to the appropriate taxing authorities copies of FRANCHISEE'S Federal and State of California Income Tax Returns and copies of the personal Federal and State Income Tax Returns for Principals of FRANCHISEE and FRANCHISEE'S Sales Tax Returns, at the same time they are filed by FRANCHISEE.

D. To notify FRANCHISOR in writing of FRANCHISEE'S Fiscal Year and any change thereto.

E. To timely file and provide a copy to FRANCHISOR concurrently of any Licenses, Permits, renewals, other necessary documents or forms required to be prepared and/or filed in the conduct of the business at the CENTER, including those provided for in Section 4.2 of this Agreement or elsewhere in this Agreement.

F. FRANCHISEE represents and warrants that all information required of FRANCHISEE under this Agreement, and under the materials and documents herein referred to, whether required to be provided to FRANCHISOR or to any third party, shall in all instances be provided in a timely manner and shall be true, accurate and not misleading. FRANCHISEE further warrants and acknowledges that in all instances there shall be no concealment of any pertinent data either by misstatement or by exclusion in whole or in part, and whether as a result of negligent or intentional act. Any and all representations and assurances by FRANCHISEE in this Agreement shall, where FRANCHISEE includes more than one Principal, constitute representations individually as well as jointly by each and all Principal(s).

G. If determined by FRANCHISOR for "reasonable cause," FRANCHISOR can have an audit made of FRANCHISEE's Franchised Business affairs by an independent, actively practicing Certified Public Accounting Firm, approved and paid for by FRANCHISOR, and to direct said firm to furnish FRANCHISOR or FRANCHISOR's representative a full copy of the audit report upon its completion. FRANCHISEE agrees to cooperate fully with such accountants while conducting such audit procedures and to make all books and records of FRANCHISEE's Franchised Business available to such accountants. Should the audit result in a discovery of material irregularities or discrepancies, or should the audit disclose understatement of gross sales for the period audited of one and one-half percent (1-1/2%) or more, FRANCHISEE shall promptly pay the costs.

H. Wherever in this Article or elsewhere in this Agreement FRANCHISEE is required to prepare and submit a document of any nature, whether to FRANCHISOR or to a third party, including any regulatory agency, the obligation to do so is solely that of FRANCHISEE and not that of FRANCHISOR. Any failure of compliance or breach by failure to provide such documents or to provide timely the information in the form required in any such documents shall likewise be the sole responsibility of FRANCHISEE and the failure to do so shall constitute an event of Default under this Agreement.

9.3 In the event FRANCHISEE owes an amount to FRANCHISOR and receives a payment from FRANCHISEE for any purpose, FRANCHISEE hereby agrees that FRANCHISOR has the sole and exclusive right to elect to apply such sums toward payment of any Royalty or other amount then due and payable by FRANCHISEE to FRANCHISOR in which event FRANCHISOR agrees to give FRANCHISEE written notice thereof, stating the amount due and unpaid and the use of the funds received.

ARTICLE X

ADVERTISING AND ADVERTISING EXPENDITURES BY FRANCHISEE

10.1 Initial Advertising Expenses. FRANCHISEE shall spend at least $2,500 per Protected Territory during the first ninety (90) days of operation to promote FRANCHISEE's new Franchised Business. This amount is in addition to the monthly advertising expenses set out in Section 10.2 below.

10.2 Monthly Advertising Fee. FRANCHISEE shall expend monthly in each calendar month during the term of this Agreement an amount equal to ten percent (10%) of the Monthly Gross Revenues of FRANCHISEE, as that term is defined in Section 9.1 of this Agreement, for advertising expenses ("Advertising Fee"). The amount of the expenditure in any calendar month shall equal or exceed ten percent (10%) of the monthly gross revenues of FRANCHISEE for the prior calendar month or $1,000, whichever is greater. However, FRANCHISOR, shall have the right to require less than 10% Advertising Fee based upon the cost of the advertising programs designated by the advertising agency but in no event will the Advertising Fee due each month be less than $1,000. Any advertising programs, whether temporary or permanent, will be set forth in the Operations Manual. FRANCHISOR shall contract directly with an advertising agency or representative of FRANCHISOR's choosing and the Advertising Fee shall be paid on or before the twentieth (20th) day of each calendar month directly to the FRANCHISOR, FRANCHISOR's designated representative or the advertising agency as directed by the FRANCHISOR. A late fee of $250 will be assessed if the Advertising Fee is received after the due date. Late fees and/or Advertising Fees not paid by the end of each month could result in an event of default. The following provisions shall apply with respect to the advertising expenditures by FRANCHISEE:

A. FRANCHISOR shall contract, on behalf of FRANCHISEE, with an advertising agency or representative of FRANCHISOR's choosing to expend the sums for the Advertising Fee determined as herein provided to accomplish the advertising objectives of the Franchise System. FRANCHISOR or the advertising agency shall provide to FRANCHISEE at least one (1) calendar month in advance of each calendar month of the term of this Agreement a proposed budget agreed to between FRANCHISOR and the advertising agency or representative which shall show the amount to be expended and the type of advertising for which the expenditures are to be made.

B. The Advertising Fee shall be expended for advertising in ways which will benefit FRANCHISEE'S business and/or which will benefit all FRANCHISEES and accordingly shall be directed to the ultimate consumer who is the customer of FRANCHISEE and/or of all FRANCHISEES, within the geographical marketing area/areas in which the advertising is placed and appears pursuant to the provisions of this Article. The Advertising Fee includes a monthly administrative fee of $84.00 per shop paid to the FRANCHISOR.

C. The FRANCHISEE shall pay the monthly Advertising Fee directly to the FRANCHISOR or its representative or the designated advertising agency pursuant to this Agreement. FRANCHISOR shall maintain proper records of all advertising programs and expenditures and these records shall be available for review and copying by FRANCHISEE. FRANCHISOR and the advertising agency shall not have any obligation to the FRANCHISEE in this regard except to expend all advertising funds collected from FRANCHISEE for the purposes set forth in Section10.2(B) above.

10.3 Advertising By Franchisee.

A. FRANCHISEE is not limited in advertising expenditures, and may make but is not required to make, additional advertising expenditures above those required under this Article for advertising of its own choosing in its Protected Territory.B. All such advertising without limitation shall be first approved by the advertising agency or FRANCHISOR as to copy, form and content. FRANCHISEE and FRANCHISOR recognize and agree that the performance by FRANCHISOR and the enforcement of these provisions is necessary to and constitutes an inherent element and part of the maintenance and continuance of the Franchised Business and relationship of FRANCHISOR and, in addition, that it is necessary to assure uniformity and compliance with law in respect to regulation of the manner in which the consumer may be informed of and invited to participate in the business of FRANCHISEE and for that matter FRANCHISOR under the Franchise System as well as to maintain competition in the market place.

C. 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 met-tags, and in connection with liking, 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.

D. FRANCHISEE agrees that its advertising plans and expenditures in addition to the advertising performed by the advertising agency, shall generally be in accordance with the existing advertising plans of FRANCHISOR and further agrees that it will not use any advertising including any internet web page created by FRANCHISEE that has not been first approved by the advertising agency or FRANCHISOR's representative at the "proof" stage and before final form, distribution or use and that has been approved by FRANCHISOR respecting what media will be used and in what geographic area(s) the funds will be expended and the advertising will appear. FRANCHISEE expressly agrees to change or discontinue any advertising if requested to do so by FRANCHISOR for "reasonable cause." "Reasonable Cause" shall include advertising which violates any provision of this Agreement, which is unduly blatant, false, or misleading, immoral or unduly offensive, including advertising which might violate the provisions of the California Business and Professions Code or other regulations; which is materially out of character with the QUALITY TUNE-UP SHOPS image; is deemed to be of a "bait and switch" nature; or which is specifically designed or appears to have the effect or import of undercutting or undermining FRANCHISOR's or other FRANCHISEE'S business or standards.

E. FRANCHISOR and FRANCHISEE therefore further agree that if necessary to enforce the provisions of this sub-section FRANCHISOR shall have the right to ask any Court or other agency having jurisdiction to issue an ex parte injunction as well a preliminary and permanent injunction enjoining any activity which is in violation of the provisions of this sub-section or which is or may be in violation of any regulation or statute including but not limited to the provisions of the California Business and Professions Code. In the event it be necessary for FRANCHISOR to take such action FRANCHISEE shall be obligated to reimburse FRANCHISOR for all costs and expenses incurred by FRANCHISOR in that regard including but not limited to attorney's fees and reasonable litigation expenses.

10.4 FRANCHISOR agrees that in addition to its obligation to contribute to the advertising as hereinabove provided with respect to each location owned and operated by it, that it may, to such extent as appears reasonably necessary, make additional advertising expenditures above those required for local customer and neighborhood sales area oriented advertising, including but not limited to handbills and personal contact, to assure the success of the Franchise System. In this regard FRANCHISOR agrees that it may develop from time to time advertising aids, programs, folders, signage and other materials for use and assistance to all FRANCHISEES. FRANCHISEE agrees to avail itself of these aids to the extent reasonably consistent with initiating and maintaining contact with customers and potential customers in FRANCHISEE's Protected Territory.

10.5 FRANCHISOR and FRANCHISEE agree that at the present time the advertising agency designated by FRANCHISOR meets with each FRANCHISEE semi-annually and contacts FRANCHISEE by phone, fax or e-mail and sets advertising material at least quarterly respecting locations owned and operated by FRANCHISEE. This level of service is the basis for preparing an Annual Budget Proposal and a Final Budget acceptable to FRANCHISEE and to FRANCHISOR for monthly advertising expenditures. FRANCHISEE agrees that while FRANCHISOR may at its sole election change the current practice, it will actively continue to operate under that practice or any subsequent practice adopted by FRANCHISOR so long as in compliance with the provisions of this Article. Any FRANCHISEE web page must be approved by FRANCHISOR or the advertising agency.

10.6 FRANCHISOR has the right, but not the obligation, to create Cooperative Advertising programs for the benefit of FRANCHISEES located within a particular region. FRANCHISOR has the right to collect and designate all or a portion of the Monthly Advertising Fee payments or contributions by FRANCHISEE for the funding of a Cooperative Advertising program. FRANCHISOR has the right to determine the composition of all geographic territories and market areas for the implementation of each Cooperative Advertising program and to require that FRANCHISEE participate in such Cooperative Advertising programs when established within FRANCHISEE's region. If a Cooperative Advertising program is implemented in a particular region, FRANCHISOR has the right to establish an advertising council to self-administer the Cooperative Advertising program. If established, FRANCHISEE shall participate in the council according to the council's rules and procedures and FRANCHISEE shall abide by the council's decisions. Should FRANCHISOR establish a Cooperative Advertising program or programs with or without an advertising council, FRANCHISOR has the right, but not the obligation, to change, dissolve or merge such program(s) and/or council(s) at any time.

10.7 If for any reason FRANCHISEE elects, either because of its practices respecting customer prices or otherwise, to not conduct its business in conformity with the terms of this Agreement but in a manner which makes it impossible for the advertising agency to include advertising of FRANCHISEE along with that of other FRANCHISEES for their respective business CENTERS, then only FRANCHISOR and the advertising agency shall have the right to reasonably vary from the expenditure provisions outlined in this Article as necessary to financially accommodate the advertising of FRANCHISEE.

ARTICLE XI

RIGHTS TO NAMES AND MARKS

11.1 FRANCHISEE agrees not to interfere in any way with the exclusive ownership rights of FRANCHISOR in the trademarks and trade names, logos, words and designs, "QUALITY TUNE-UP SHOPS" and "QUALITY TUNE SHOPS" AND DESIGN of FRANCHISOR and FRANCHISEE agrees to execute any documents necessary and cooperate fully to accomplish this purpose.

11.2 It is the responsibility of FRANCHISOR to protect and maintain all rights to said Name(s) and Mark(s) against infringement, encroachment, misuse or unauthorized use and against challenges to any rights of its use, as FRANCHISOR sees fit. With respect to any use of the trademarks and trade names, logos, words and designs, "QUALITY TUNE-UP SHOPS" and "QUALITY TUNE-UP SHOPS" AND DESIGN, by FRANCHISEE under this Agreement, FRANCHISEE agrees to give reasonable assistance, other than cash contributions, which FRANCHISOR may require in order to defend or protect all rights in same, to obtain registrations thereof, and to maintain such registrations, including executing registered user agreements, if so requested. In the event that FRANCHISEE becomes aware of any infringement of said name, FRANCHISEE shall promptly report in writing such infringement to FRANCHISOR and FRANCHISOR shall have the sole discretion to take such action as it deems advisable, at its sole expense.

11.3 If it appears to FRANCHISOR that protection of said name by legal action is not viable both commercially and legally, due to the protracted nature, costs and uncertainties thereof or otherwise and/or due to the fact that same may involve FRANCHISEE to FRANCHISEE'S detriment, or if it appears to FRANCHISOR otherwise advisable, FRANCHISOR has the right to relinquish a Name(s) or Mark(s) and to change the Name(s) and Mark(s) to another of generally similar market impact; provided, however, that FRANCHISOR does this at no expense to FRANCHISEE, and pursues similar registered mark protection of said new Name(s) and Mark(s).

In such event, FRANCHISOR and FRANCHISEE agree that the new Name(s) and Mark(s) shall be substituted for that of QUALITY TUNE-UP SHOPS throughout this Agreement and in all undertakings and relations between FRANCHISOR and FRANCHISEE without requirement of new written understandings.

11.4 At no time shall FRANCHISEE be entitled, either by implication or otherwise, to any title to said Name(s) and Mark(s) or registrations or applications for registration thereof or any claim to be the owner thereof; nor shall FRANCHISEE by use, registration or any means establish title to or interest in similar or related Name(s) and Mark(s). All goodwill associated with said Name(s) and Mark(s), including that generated by FRANCHISEE and all FRANCHISEES while conducting business under the QUALITY TUNE-UP SHOPS name, is, shall be, and shall remain the property of FRANCHISOR. FRANCHISEE'S rights to same hereunder are temporary and limited to the License for use here granted. FRANCHISEE does hereby agree that it will not on or after expiration or Termination, use said trade name directly or indirectly for any purpose whatsoever.

11.5 In the event FRANCHISEE advertises for the purpose of finding a potential buyer for its Franchise, in compliance with the provisions of this Agreement respecting transfer, FRANCHISEE shall not include nor allow the words "QUALITY TUNE-UP SHOPS" or "QUALITY TUNE-UP", or any combination thereof, to appear or be a part of any such advertising without the prior written consent of FRANCHISOR.

11.6 FRANCHISEE shall be responsible to FRANCHISOR for claims or demands by third parties respecting any use or alleged use of the Name(s) or Mark(s) of FRANCHISOR which is in violation of the terms of this Agreement or the rights of FRANCHISOR therein and shall hold harmless and indemnify FRANCHISOR with respect thereto.

ARTICLE XII

SERVICES, PARTS, ACCESSORIES, AND EQUIPMENT

12.1 FRANCHISEE reserves the right to establish its own retail price levels and policies for all goods and services it sells and provides to its customers. FRANCHISOR may issue suggested list price schedules periodically as it sees fit, and while a FRANCHISEE has the option of varying from said suggested list prices, excepting where a price is limited in some way by law or government regulations and excepting where a manufacturer of a product carried by FRANCHISOR or purchased directly by FRANCHISEE requires that FRANCHISOR and FRANCHISEE adhere to a price schedule set by said manufacturer so long as said manufacturer may legally impose such requirements, FRANCHISEE agrees that any variation in price will be motivated by reasonable and sound business consideration independent of competition with other FRANCHISEES of FRANCHISOR, and also agrees that it will not without the prior written consent of FRANCHISOR use a price which is below FRANCHISEE’S cost.

12.2 FRANCHISOR has designated suppliers from whom FRANCHISEE is required to purchase parts, accessories and equipment, including the computerized point-of-sale system and services required in the conduct of FRANCHISEE'S business. It is agreed that with the prior written consent of FRANCHISOR, FRANCHISEE may purchase from suppliers other than as specified by FRANCHISOR but only in the event such alternate suppliers provide on a continuing and consistent basis products and services of comparable or higher quality, compatibility and dependability to those of the suppliers of FRANCHISOR and specifically in the case of waste petroleum products equipment and pick-up and disposal services, suppliers that are qualified and certified EPA haulers and in the case of manufacturers\suppliers of diagnostic and testing equipment are first approved by the BAR and the California Department of Consumer Affairs, as well as any other Federal or State of California Regulatory Agency whose certification or approval is required. To protect, maintain and further the reputation, good will, quality and uniformity and public acceptance of the business reputation and name of both FRANCHISEE and FRANCHISOR, the parties agree that all such products must be of comparable quality and performance as to capabilities, design and performance, must be consistent with the purposes of this Agreement and must further be appropriate to the business of FRANCHISEE, and must accordingly not detract therefrom.

In making all such purchases whether from FRANCHISOR, suppliers designated by FRANCHISOR or from other approved suppliers, pursuant to this Agreement, FRANCHISEE agrees:

A. To use prescribed purchase order forms if any; and

B. To include revenues from all sales of said merchandise and services within Monthly Gross Revenues as defined and provided in Article IX.

12.3 FRANCHISOR will actively and continuously exercise its best efforts to locate the highest quality products from various vendors at prices which will give FRANCHISEE the best competitive advantages without, however, compromise in quality, performance and service.

12.4 FRANCHISOR will not make a profit or markup on the purchase by FRANCHISEE of any of the items described in this Article from FRANCHISOR'S suppliers.

FRANCHISEE specifically agrees that payment of Royalties and of advertising expenditures shall be based upon all Monthly Gross Revenues from the sale of any service and any merchandise of any type from any source whatsoever, and to any other revenues accruing to FRANCHISEE, to the extent included in Gross Revenues as defined in Article IX of this Agreement.

12.5 FRANCHISEE is solely responsible for the timely collection, reporting and payment of any and all sales, use, personal property and inventory taxes, as well as any other tax or fee required to be paid with respect to conduct of its business hereunder and FRANCHISEE agrees to hold harmless and indemnify FRANCHISOR with respect thereto.

12.6 FRANCHISEE agrees to maintain inventory levels of products sold and supplied and of parts and accessories adequate to serve its local markets reasonably, and to maintain a viable local market position at each and all CENTERS. In this regard, FRANCHISEE agrees to initially and regularly and continuously thereafter consider, evaluate and act upon factors such as local competition, comparison with other FRANCHISEES and competitive businesses similarly situated, general practice among specialty tune-up, smog inspection and repair and automotive service retailers.

ARTICLE XIII

STATIONARY, FORMS AND SUPPLIES

13.1 FRANCHISEE agrees to use in the operation of the Franchise and the CENTER only those standard contracts, reports, stationary and printed materials uniformly used by all FRANCHISEES.

13.2 FRANCHISEE shall be required to purchase all forms designed and developed by FRANCHISOR and which FRANCHISEE is required to use from FRANCHISOR and no other source. FRANCHISOR agrees that it will make every reasonably effort to maintain a competitive cost for these forms and FRANCHISOR will not charge FRANCHISEE for those forms for the purpose of making a profit to FRANCHISOR.

13.3 FRANCHISEE may voluntarily elect to purchase all other stationary, forms and supplies required in the conduct of its business either from FRANCHISOR or from a source selected by it, but in that event it must first assure FRANCHISOR that its purchases will meet the same standards of quality as those available through FRANCHISOR, and as well in the same form as designated or provided by FRANCHISOR.

ARTICLE XIV

RESTRICTIVE COVENANTS

14.1 The methods, operations, interviewing, promotional data, periodic reports, inventory, customer lists, price lists and other information pertaining to FRANCHISOR's or FRANCHISEE's business including the terms of this Agreement and the Franchise are Confidential and Proprietary and represent Trade Secrets that are owned by and remain the exclusive property of FRANCHISOR. FRANCHISEE agrees that during the term of this Agreement FRANCHISEE will not use for the benefit of others or disclose to others any Confidential or Proprietary Information or Trade Secrets of FRANCHISOR or the business of FRANCHISOR, whether by direct or by indirect means, except with the prior written permission and consent of FRANCHISOR and as may be appropriate consistent with the ongoing conduct of the business of the Franchise. FRANCHISEE further agrees that in the event of termination of this Agreement or any successor Franchise And License Agreement with FRANCHISEE that the Principal(s) of FRANCHISEE will return to FRANCHISOR any and all Proprietary and or Confidential Information of FRANCHISOR, in whatsoever form, and will not retain copies thereof and will not use any Confidential and Proprietary information or Trade Secrets including customer lists in the establishment or operation of any competing business.

14.2 During the term of this Franchise, FRANCHISEE and any and all of its Principals shall not be involved directly or indirectly with any activity through CENTER or in or through any other business, whether as an owner or active participant, which is in any manner similar to or competes with business of Franchised Business under the terms of the Agreement, nor which will interfere with FRANCHISEE'S full performance under this Agreement.

14.3 FRANCHISEE may have an ownership interest or interests in other completely separate and distinct businesses so long as said businesses are separately maintained and identified by names dissimilar from QUALITY TUNE-UP SHOPS and do not violate this Agreement and Franchise.

14.4 FRANCHISEE agrees that it will require as a condition of employment that all personnel of FRANCHISEE sign a Non-Competition and Confidential Information Covenant or Agreement on a form (s) provided by FRANCHISOR to FRANCHISEE.

14.5 FRANCHISEE may only use the Name(s) and Mark(s) of FRANCHISOR solely in accordance with the provisions of this Agreement and not otherwise and the use by FRANCHISEE shall terminate in the event of termination of this Agreement.

14.6 In further consideration hereof, in the event of termination or expiration of this Franchise, FRANCHISEE agrees that for a period of two (2) years from date of termination that the Principal(s) will not, either directly or indirectly, either for himself or for any other person, firm, corporation, or other legal entity, solicit any employee of FRANCHISOR or FRANCHISEE of FRANCHISOR to either cease to be an employee of FRANCHISOR, or of any FRANCHISEE of FRANCHISOR, or to terminate or act in a manner which is in violation of a Franchise Agreement with FRANCHISOR.

14.7 FRANCHISEE acknowledges and agrees that its failure to adhere strictly to the covenants, agreements and restrictions as provided for in this Franchise Agreement, including both each covenant, agreement and restriction and, as well collectively, all covenants, agreements and restrictions, would cause substantial and irreparable injury to FRANCHISOR, and that damages therefore would be difficult if not impossible to determine. FRANCHISEE therefore agrees that:

A. FRANCHISEE consents to the issuance of an Injunction enjoining it and its Principals and Owners from directly or indirectly violating any covenants or restrictions in this Agreement, including but not limited to those contained in this Article.

B. Agrees that the term "directly" used here includes acts of parties under FRANCHISEE'S control, and Officers, Directors and Stockholders, and those parties under their control, as well as Principals and Owners of FRANCHISEE.

C. Agrees that the period of restrictions in Section 14.6 shall commence at the effective date of termination or upon the expiration date of the Franchise.

D. Agrees that such period shall commence anew from the date FRANCHISEE is enjoined from such interference or ceases to so interfere, whichever is later.

In addition thereto, FRANCHISEE agrees to pay reasonable attorneys fees and all other reasonable costs incurred by FRANCHISOR in prosecution of any action between the parties to enforce the covenants in this Article XIV, in which FRANCHISOR prevails.

14.8 FRANCHISEE consents to and covenants to observe any and all such restrictions allowable by law of the jurisdiction in which CENTER is located which are equal to or lesser than, but in no event greater (i.e., for longer time or for larger area) than those restrictions in Section 14.1, 14.2 and 14.6.

14.9 FRANCHISEE shall never negligently or intentionally allow nor engage or permit its agents and employees to engage in any deceptive, fraudulent or unethical practices of any kind in connection with the Franchise Business or CENTER, nor suffer nor allow any part thereof to be used for immoral or illegal purposes; nor allow use thereof for any legal activity other than as a QUALITY TUNE-UP SHOPS Franchised retail sales outlet.

14.10 The term "FRANCHISEE" as used in this Article and throughout the Agreement specifically means each and every qualifying individual who becomes an Owner or Co-Owner of a Franchise under this Agreement, whether sole proprietorship or partner, or, solely in the event FRANCHISEE incorporates with the consent of FRANCHISOR and all of FRANCHISEE'S Shareholders, it being agreed, however, that said entity may not have an Owner who is not a signatory to and obligated to perform as a Principal or Owner under the terms of this Agreement.

14.11 FRANCHISEE and its Principal(s), jointly and severally, covenant that they will not alienate any ownership interest, whether voluntary or involuntary, except within the standards and requirements and subject to the prior consent as provided for in Article XVI.

14.12 For the representations provided in Section 14.1, and to the full extent specified therein and in this Article XIV, FRANCHISEE further agrees not to use the FRANCHISOR's training, communications, nor any of the contents thereof, nor the business methods and techniques learned by FRANCHISEE from FRANCHISOR or from other franchisees, all of which are confidential assets of FRANCHISOR, except as permitted by this Agreement and the Operations Manual, either while operating the CENTER or acting in any way as a franchisee, or thereafter and upon termination for any reason of this Franchise Agreement.

ARTICLE XV

AGENCY, LIABILITY INSURANCE AND INDEMNIFICATION

15.1 FRANCHISOR and FRANCHISEE are each independent contractors. They are not and shall not be considered as joint ventures, partners or agents of each other.

A. Neither FRANCHISOR nor FRANCHISEE shall have the authority to bind or obligate the other except as and then only in the manner and to the degree expressly set forth herein.

B. Neither shall have the authority to hire, fire or direct any employees of the other, except as explicitly set forth herein.

C. Neither is responsible for the collection, withholding or payment of any taxes of the other.

15.2 The parties are each responsible for their own torts or alleged torts, whether negligent or intentional, and respectively agree to protect, indemnify, defend and hold harmless each other and any affiliate from and against any and all claims, losses, demands and liabilities, including attorney costs, which may arise therefrom.

15.3 FRANCHISOR agrees to indemnify FRANCHISEE against any claims arising out of FRANCHISEE'S use of the QUALITY TUNE-UP SHOPS Name(s) and Mark(s) QUALITY TUNE-UP SHOPS and QUALITY TUNE-UP SHOPS AND DESIGN solely as authorized herein. FRANCHISEE similarly agrees to indemnify FRANCHISOR against all claims arising from FRANCHISEE'S improper or unauthorized use of said Name(s) or Mark(s).

15.4 FRANCHISEE shall at its expense be required to maintain the following insurance in the following minimum amounts in full force and effect, without any period of failure to insure whether as a result of cancellation or non-renewal:

A. CENTER premises and operations, for not less than:

Bodily Injury:	$2,000,000 each person
	$2,000,000 each accident
Property Damage:	$2,000,000 each accident

B. Automobile and other automotive coverage, including acts of employees while driving non-owned vehicles, and acting within the scope of their employment:

Bodily Injury:	$2,000,000.00 each person
	$2,000,000.00 each accident
Property Damage:	$2,000,000.00 each accident

C. Workman's Compensation to meet statutory requirements.

D. All insurance required under the Sub-Lease of FRANCHISEE, including specifically its incorporation of the insurance requirements of the Master Lease of FRANCHISOR. The obligation of FRANCHISEE shall be to provide the greater of the coverages provided for under Sub-Sections A and B above, both as to type of insurance and amount of coverage, or that required under the Sub-Lease and Master Lease, and to name FRANCHISOR and the Master Lessor as an additional insured and provide written proof of such coverage to FRANCHISOR and Master Lessor.

15.5 FRANCHISEE shall provide to FRANCHISOR at all times that this Agreement be in effect a duplicate copy of the insurance coverage obtained by the FRANCHISEE. Each policy, except Workman's Compensation Insurance, shall name FRANCHISOR and the Master Lessor as an additional insured and shall provide that the policy may not be cancelled except after a minimum of twenty (20) days prior written notice from the insurance company to FRANCHISOR and to Master Lessor, addressed to FRANCHISOR at its principal business address and to Master Lessor as provided in the Master Lease. FRANCHISEE shall provide to FRANCHISOR evidence of renewal and of payment of premiums on all such insurance, as well as provide to FRANCHISOR copies of all endorsements, amendments or changes to such insurance policies. FRANCHISEE shall give written notice to FRANCHISOR of all claims under each of such insurance coverages with the exception of Workman's Compensation Insurance.

15.6 To the extent damages are covered by property insurance during the term of this Agreement, the FRANCHISOR and the FRANCHISEE waive all rights against each other and against the contractors, consultants, agents and employees of the other for damages, except such rights as they may have to the proceeds of such insurance. The FRANCHISOR or FRANCHISEE, as appropriate, shall require of the contractors, consultants, agents and employees of any of them similar waivers in favor of the other parties enumerated herein.

ARTICLE XVI

TRANSFER AND ASSIGNMENT

16.1 FRANCHISOR may assign and transfer the Franchise Agreement and all rights granted under this Agreement, and, if so, this Agreement and all rights hereunder will be binding upon and inure to the benefit of FRANCHISOR'S successors and assigns. FRANCHISOR must give 60 days' notice of any proposed transfer to FRANCHISEE. FRANCHISOR will only transfer or assign this Agreement to a transferee or assignee which: (i) is financially responsible; (ii) in FRANCHISOR'S reasonable judgment, possesses the economic and business resources necessary to fulfill FRANCHISOR'S obligations to FRANCHISEE; and (iii) expressly agrees in writing to assume FRANCHISOR'S obligations under this Agreement.

16.2 FRANCHISEE and each and all Principals of FRANCHISEE if other than a sole proprietorship shall not sell, assign, transfer nor encumber this Agreement, the Franchise, or any other interest hereunder, nor suffer or permit any such assignment, transfer or encumbrance, either voluntarily or involuntarily to occur by operation of law or otherwise, except in the event FRANCHISEE has received the consent of FRANCHISOR and has complied in all respects with the provisions of this Article XVI in their entirety. In addition, no sale, assignment or transfer will be approved by FRANCHISOR if less than four months remain on the current franchise term.

16.3 In the event of the death, or the physical or mental disability or incompetency of FRANCHISEE or of a Principal(s) of FRANCHISEE, or in the event of election of an existing Principal(s) of FRANCHISEE to sell and assign all of transferor's interest only to a co-Principal(s) of FRANCHISEE, FRANCHISOR agrees that it will not unreasonably withhold its consent to the transfer of all the interest of FRANCHISEE or of a Principal of the FRANCHISEE solely to the remaining Principal/Principals of FRANCHISEE, if any, subject expressly, however, to the Right of First Refusal of FRANCHISOR with respect to the interest of the Transferor being offered provided for in Section 16.6 of this Agreement. For this purpose, "Principal" shall include only individual(s) who have met the FRANCHISEE qualification standards under Section 5.1 and, in addition, is/are either signatory to this License Agreement or who become a signatory to the current License Agreement of FRANCHISOR at the time of the occurrence of the event herein described, in accordance with the provisions of this Agreement. Specifically, "Principal" does not include a spouse of a Principal unless that spouse so qualifies. The Consent of a spouse to the execution of this Agreement, does not qualify the consenting spouse to become a Principal under this Agreement.

16.4 FRANCHISOR shall not unreasonably withhold its consent to a transfer pursuant to Section 16.2, provided that the conditions set forth below are satisfied:

A. All obligations of FRANCHISEE created by this Agreement and all other related Franchise Documents, and the relationship created hereunder are assumed by Transferee, including specifically but not limited to the proposed Transferee first completing the minimum term of employment and training periods required by FRANCHISOR pursuant to Section 5.1 et seq of this Agreement. In said event, FRANCHISEE or the transferring Principal(s) of FRANCHISEE, shall remain fully responsible for the performance of the obligations under the Franchise Agreement until Transferee is fully qualified and all obligations have been fully assumed by Transferee.

B. All ascertained or liquidated debts or obligations of any type or nature of FRANCHISEE to FRANCHISOR are paid in full prior to such transfer and all ascertained or liquidated debts or obligations of the Transferor Principal(s) of any type or nature to FRANCHISEE or FRANCHISOR are paid in full.

C. FRANCHISEE is not in Default under this Agreement with FRANCHISOR.

D. Transferee(s) qualifies to be a FRANCHISEE pursuant to the standards of qualification then in existence by FRANCHISOR. In this regard qualification must take place prior to the transfer, and Transferee(s) must therefore be eligible to be a FRANCHISEE of FRANCHISOR, as provided for in Section 5.1 of this Agreement and as provided for pursuant to the standards of FRANCHISOR at that time, whichever be the greater. This qualification includes training experience, good reputation and character, operational ability from prior work/business experience and from observation during working for FRANCHISOR and training, financial strength and other business considerations, by way of example and not inclusive. The transfer application process shall be as follows:

1. FRANCHISEE shall notify FRANCHISOR in writing of FRANCHISEE'S desire to transfer or sell his/her Franchised Business to another person(s) or entity (the "Transferee(s)).

2. Within 15 calendar days of the receipt of the above notification, FRANCHISOR shall provide the forms and then-existing standards for the approval of the proposed Transferee(s).

3. As soon as practicable after receipt of the application forms referred to above, FRANCHISOR shall notify, in writing, the FRANCHISEE and proposed Transferee(s) of any additional information or documentation necessary to complete the transfer application.

4. FRANCHISOR shall, within 60 days after receipt of all the necessary information and documentation required pursuant to Subsection 2 and 3 above, notify FRANCHISEE in writing of the approval or disapproval of the proposed sale, assignment or transfer of the Franchised Business. If the proposed sale, assignment or transfer is disapproved, FRANCHISOR shall include in the notice of disapproval a statement setting forth the reasons for the disapproval.

E. If approved, Transferee(s) must execute FRANCHISOR's current standard form of Franchise and License Agreement for the CENTER, the CENTER sublease and such other related agreements being required at that time by FRANCHISOR of new Franchise Owners which shall cover the remaining term of FRANCHISEE’s Franchise Agreement plus any renewals thereunder. The term of Transferee’s initial Agreement shall commence on the effective date of the transfer and shall continue for a period terminating on the expiration of this Agreement, unless a longer period is agreed to by the FRANCHISOR and Transferee.

F. FRANCHISEE and/or Transferee(s) pay to FRANCHISOR a Transfer Fee in the sum of Ten Thousand Dollars ($10,000.00) to cover FRANCHISOR's reasonable costs and expenses.

G. The FRANCHISOR may require that any sale agreement between FRANCHISEE and Transferee provide for the Transferee to withhold up to $5,000 of the purchase price for a period of up to three (3) months to cover any extraordinary expenses incurred by Transferee in assuming FRANCHISEE’s business.

H. FRANCHISEE and Transferee perform without default all of the other terms and provisions contained in this Agreement and this Article XVI.

I. FRANCHISEE signs a general release in favor of FRANCHISOR.

16.5 In the event a FRANCHISEE desires to form a Closely Held Corporation, a Limited Liability Company or a General Partnership (herein "Entity", Jointly and Severally) for the purpose of conducting the business provided for under this Franchise Agreement and only subsequent to the time that this Franchise Agreement has first been executed by all Principal(s) individually, the right of FRANCHISEE to do so is conditional upon the prior written consent of FRANCHISOR which FRANCHISOR agrees it will not unreasonably withhold. FRANCHISEE may not form a Limited Partnership for the conduct of the business of the Franchise and each Principal of any such Entity shall be individually subject to the terms of this Agreement and shall be required to individually participate in the management, operation, control and responsibility for the conduct of the business of the Entity under all Documents respecting the Entity, including but not limited to Articles, By-Laws, Operating Agreements or Partnership Agreements. The following terms and conditions must be complied with in said event, in addition to those otherwise imposed under this Article:

A. The sole Owners or holders of rights to ownership in the Entity and as well the sole officers, directors, managers and principal operating individuals of the Entity shall be the Principal(s) of FRANCHISEE.

B. The Principal(s) of FRANCHISEE shall remain personally responsible in all respects under this Agreement and the consent of FRANCHISOR shall be solely to conduct the business under the direction and control of the Principal(s) of FRANCHISEE without in any manner relieving them or any of them from the personal responsibility and liability for all performance under the terms of this Agreement in the ownership and conduct of that business.

C. At the request of FRANCHISOR, FRANCHISEE shall enter into an agreement on FRANCHISOR's standard form guaranteeing the full payment of the corporation's money obligations to FRANCHISOR and shall agree to be bound individually by the non-competition covenant contained in this

Agreement. If FRANCHISEE is married then the wife/wives of FRANCHISEE must also so agree in writing. If FRANCHISEE marries after commencement of the Franchise it shall be the obligation of FRANCHISEE to have his wife consent in writing to this Agreement and to execute the document/documents previously executed by FRANCHISEE individually as provided for in this Agreement. The spouse of FRANCHISEE or any Principal of FRANCHISEE shall not become a Principal except in the event of compliance with the requirements therefore contained in this Agreement.

D. The organizational and operational documents of the Entity shall expressly provide that the issuance and transfer of ownership interests or the right to participate in distributions to ownership interests and the operation and control of the conduct of the business and the responsibility therefor shall be subject to and restricted by the terms of this Agreement and full compliance therewith by Principal(s) and as well the Entity.

All holders of ownership interests in the Entity agree that no Ownership interests will be sold, assigned or transferred voluntarily or by operation of law nor pledged, voluntarily or involuntarily, as security or otherwise, without the prior written consent of FRANCHISOR and that any such action shall constitute a material breach of this Agreement, subject to the provisions of this Agreement.

All securities or other representation of ownership interest in the Entity will bear the following Legend condition which shall be printed legibly and conspicuously on each stock certificate or other evidence of ownership interest:

> **"Transfer of these securities or ownership interests between this Entity [*(expressly state "Corporation," or "Limited Liability Company" or "General Partnership")*] and The Tom McVey 2004 Quality Tune-Up Shops, LLC, FRANCHISOR is subject to the terms and conditions of a Franchise Agreement between this Entity [*(expressly state type of Entity as provided above)*] and The Tom McVey 2004 Quality Tune-Up Shops, LLC, Franchisor dated_________. Reference is made to that Franchise And License Agreement and to the restrictive provisions on transfer of the formative and regulatory documents of this Entity (expressly state type of Entity as provided above) which are here incorporated."**

16.6 If FRANCHISEE desires to sell, assign or transfer this Agreement and the Franchised Business, or any interest hereunder, whether the transfer be voluntary or involuntary, or upon the death, permanent mental or physical incapacity to conduct the business or disability preventing active participation in and the conduct of the business for a continuous period of not less than thirty (30) calendar days by FRANCHISEE or a Principal of FRANCHISEE, FRANCHISOR shall have the Right of First Refusal to purchase the Franchised Business of FRANCHISEE pursuant to the provisions of this paragraph; it being agreed that this Right of First Refusal shall apply as well to proposed transfers to a surviving Principal pursuant to Section 16.3 of this Agreement and that in the event FRANCHISOR elects to exercise its Right of First Refusal in that event, it shall be only with respect to the entire interest of the FRANCHISEE.

Except in the event of the death, disability or incapacity as hereinabove described of a FRANCHISEE or a Principal(s) of FRANCHISEE, or in the event of election of an existing Principal(s) to sell and assign all of his interest solely to a co-Principal(s) of FRANCHISEE, as provided in Section 16.3, FRANCHISEE must first receive and desire to accept a bona fide written offer from a third party to purchase that interest in its entirety. In said event, FRANCHISEE shall be required to submit to FRANCHISOR the original copy or a certified copy of the executed and (but for the provisions of this Section) enforceable written offer to purchase or otherwise acquire FRANCHISEE'S rights under this Agreement which offer shall set forth all of the terms of the proposed sale and purchase in their entirety so that it is possible for FRANCHISEE and as well FRANCHISOR to determine the full amount of the purchase price, the terms of payment, the payment of all debts and obligations if any outstanding as of the date of purchase and other matters reasonably related to said proposed sale and purchase. FRANCHISOR shall as well have the right to request FRANCHISEE to make available any documents or records of FRANCHISEE which will assist FRANCHISOR in evaluating and determining whether to exercise its first option to purchase or not. Solely in the event the sale and purchase be of ownership interests in a Corporation, Limited Liability

Company or General Partnership conducting the business of FRANCHISEE, then FRANCHISOR shall have the right to either purchase that ownership interest or to purchase the assets of FRANCHISEE in the event there is only one Principal of FRANCHISEE or in the event all interest of Principal(s) is being purchased in the offer submitted to FRANCHISOR. It is agreed in said event that FRANCHISOR shall pay FRANCHISEE the full amount provided for in the enforceable written Offer to Purchase hereinabove described. It is also agreed that in the event there are other Principal(s) of FRANCHISEE whose interest is not offered for sale and is not offered to be purchased in the enforceable written Offer to Purchase described above, then in the event of purchase by FRANCHISOR, it shall have the right by written notice to the remaining Principal(s) to cause the termination of the Entity effective concurrent with purchase and to have the business of the Franchise thereafter conducted solely by the individual co-Principals, including FRANCHISOR.

The right of FRANCHISOR to purchase shall be exercisable within sixty (60) days after receipt of said notice accompanied by the original or certified copy of the enforceable written offer to purchase or contract. If FRANCHISOR does not exercise its purchase option, FRANCHISEE or the selling Principal(s) may within a period of sixty calendar (60) days from the expiration of FRANCHISOR'S option period, sell, assign or transfer the interest offered for sale and offered to be purchased on the same terms only as set forth in the enforceable written offer to the bona fide third party offeror, and not any other person, subject however to FRANCHISOR'S prior consent, which shall not be unreasonably withheld but shall be subject to the terms of Section 16.3 of this Agreement in their entirety. Any material change in the terms of the offer from the third party prior to closing of the sale to such third party shall constitute a new offer, subject to the same rights of first refusal by FRANCHISOR as in the case of the initial offer. Failure by FRANCHISOR to exercise the option afforded by this paragraph shall not constitute the waiver of any other provision of this Agreement, including all of the requirements of this Article XVI, with respect to the proposed transfer.

16.7 In the event of the death, or the physical or mental disability or incompetency of FRANCHISEE or of a Principal(s) of FRANCHISEE, or the election of an existing Principal(s) to sell and assign all of his interest solely to a co-Principal(s) as provided for in Section 16.3, so that performance by FRANCHISEE or of a Principal(s) of FRANCHISEE of the obligations of this Agreement is no longer possible, or is not possible for a continuous period of not less than thirty (30) calendar days, subject to the provisions of this Agreement and specifically Article XVI and Sections 16.3 and 16.5, FRANCHISOR shall have the right to purchase the entire business of FRANCHISEE by written notice delivered to said FRANCHISEE or Principal(s) of FRANCHISEE, not earlier than thirty (30) calendar days following the occurrence of the event described above (death, physical or mental disability or incompetency\incapacity) in the event either Section 16.2 or 16.5 of this Agreement not have occurred. In said event the purchase price shall be the Valuation Price of the business of FRANCHISEE as defined below, or the percentage of ownership of that business of the Principal(s) with respect to which the event has occurred and FRANCHISOR'S right of purchase applied.

The Valuation Price shall be the Book Value of the business of FRANCHISEE, or that percentage of the Book Value represented by the ownership share being purchased by FRANCHISOR determined in the application of generally accepted accounting principles consistently applied. "Book Value" for this purpose shall include the purchase price of the Franchise at cost, less depreciation as taken by FRANCHISEE or the Entity conducting the business pursuant to this Agreement or for a period of not to exceed seven (7) years, whichever be the lesser, all usable inventory at cost and all equipment at its actual Book Value as shown on the books of FRANCHISEE. To that sum shall be added any other assets of FRANCHISEE regularly used in and a part of the business of FRANCHISEE at the lesser of their Book Value or their Fair Market Value. There shall be deducted from said sums any outstanding unpaid liability secured by the assets transferred and the result shall be the Valuation Price which shall be the purchase price by FRANCHISOR in the event of its election to purchase hereunder. The Book Value shall be determined by the Certified Public Accountants for FRANCHISOR at the time of the Event and that determination shall be conclusive respecting FRANCHISOR and FRANCHISEE or the Principal(s) of FRANCHISEE whose interest(s) is being purchased. The purchase price shall be paid as follows by FRANCHISOR to FRANCHISEE or to the Principal(s) of FRANCHISEE or representative thereof:

A. Not less than twenty percent (20%) in cash within thirty (30) days of its determination pursuant to the above provisions;

B. The balance in the form of a Promissory Note bearing interest at the prime rate charged by Bank of America National Trust and Savings Association at its San Francisco Main Office on the date of down payment which shall also be the date of the Note, payable in equal monthly installments with interest at said rate, or more, for up to a thirty-six (36) month term.

16.8 A transfer pursuant to this Article XVI shall transfer to Transferee the ownership interest of Transferor, subject to the provisions of this Agreement and Section 16.4 thereof and for the Term determined as provided for in Section 16.4E that remains under the provisions of this Agreement.

ARTICLE XVII

ADMINISTRATION AND SERVICE OF
CUSTOMER COMPLAINTS

17.1 FRANCHISEE is expressly obligated to timely and properly administrate and service any and all customer complaints with respect to FRANCHISEE'S conduct of business whatsoever at its CENTER. FRANCHISEE shall maintain a record showing customer name and address, nature and date of complaint and corrective action taken with respect to each such complaint. That record shall be available to FRANCHISOR or its representative upon request, and FRANCHISOR shall as well have the right to make a copy of that record.

ARTICLE XVIII

ENTITY MATTERS

18.1 For purposes of execution of this Agreement, FRANCHISEE and all Principal(s) or Owner(s) have been named herein and have executed this Agreement with consent of spouse, if married. If FRANCHISEE hereafter requests consent of FRANCHISOR to the conduct of its business by an Entity as that term is defined in this Agreement, the Principal(s) herein, jointly and severally, warrant and represent that:

A. That they are empowered exclusively to act for that Entity and that no other person(s) will act for that Entity with respect to their obligations under the terms of this Agreement, except only where those obligations may be properly delegated in the usual and customary performance of the business of the Franchise.

B. That prior to beginning conduct of the business of that Entity, they shall submit to FRANCHISOR a certified copy of a Resolution(s) or other Authorizing Document(s) approving and authorizing conduct of this business and adherence to this Agreement by that Entity and confirming that all of the Principal(s) of FRANCHISEE are named, have consented thereto and are bound respecting the limitation on transferability contained in this Agreement.

C. That they shall submit to FRANCHISOR respecting that Entity a true and complete list of:

i. Names and addresses of all Principal(s) showing ownership interest of each;

ii. Certification Under Penalty of Perjury that, except as named above, there are no others entitled to or participating in ownership, control or profits and losses of the Entity, either directly or indirectly, and that they shall promptly notify FRANCHISOR of any changes in said lists, subject to the limitations and restrictions in this Agreement respecting transfer of ownership.

D. That since this Agreement limits the transfer of ownership, all certificates of stock, membership or partnership issued by said Entity or at any time thereafter issued, endorsed on them a Legend in conformance with this Agreement.

E. That a copy of this Agreement will be given to every Principal(s) of the Entity.

F. That they will furnish FRANCHISOR with copies of filed Articles, By-Laws, Operating Agreements, Partnership Agreements and other agreements and resolutions of the Entity, both at commencement and during the Term of this Agreement, including Amendments and new Agreements, certified and currently dated.

G. That the number of original ownership interests will not be increased or decreased without prior written notice to FRANCHISOR, which notice will in its terms guarantee compliance with this Article and as well with the terms of this Agreement and Franchise.

H. Personal guarantees

18.2 The addition of a new Principal(s) not previously owning an ownership interest and being a Principal(s) shall constitute a transfer restricted by this Agreement and therefore requiring compliance with the terms of this Agreement and the prior written approval of FRANCHISOR.

18.3 Any succession in interest by any means is subject specifically to the provisions of this Agreement and specifically those respecting restrictions on transferability.

18.4 SAID ENTITY MAY NOT USE THE WORDS "QUALITY TUNE-UP" OR THE WORDS "QUALITY TUNE-UP SHOPS", OR ANY COMBINATION THEREOF AS PART OF ITS NAME WITHOUT THE PRIOR WRITTEN CONSENT OF FRANCHISOR. FRANCHISOR IS NOT REQUIRED TO GIVE THAT CONSENT AND WILL NOT GIVE THAT CONSENT UNLESS REQUIRED BY LAW IN THE PLACE IN WHICH FRANCHISEE WILL OPERATE ITS BUSINESS. FRANCHISEE AGREES TO USE A DIFFERENT ENTITY NAME, AND ALSO AGREES THAT THE ENTITY WILL FILE TO DO BUSINESS LEGALLY UNDER A FICTITIOUS OR ASSUMED BUSINESS NAME, AS PROVIDED FOR HEREIN AND IN ACCORDANCE WITH THE PROVISIONS OF LOCAL LAW. A copy of any such statement and evidence of compliance with local law in regard thereto shall be provided to FRANCHISOR by FRANCHISEE. At the termination for whatsoever reason of this Agreement and Franchise, FRANCHISEE shall further be obligated to provide to FRANCHISOR written evidence of compliance with local law respecting termination of use of said Name (s) and Marks.

18.5 FRANCHISEE as well as permitted owners of ownership interests ("Principal(s)") will maintain on an active status and in good standing the Entity status and existence of that Entity during the full term of this Agreement, and will cause Entity to conduct its business activities including control over issuance and transfer of its ownership strictly as and pursuant to the limitations contained in this Franchise Agreement respecting same.

ARTICLE XIX

EVENTS OF DEFAULT AND ENFORCEMENT

19.1 This Agreement will only be terminated for “good cause” which shall be limited to the failure of FRANCHISEE to substantially comply with the lawful requirements imposed upon FRANCHISEE by this Agreement.

19.2 Events of Default Causing Termination Upon Notice Without Opportunity to Cure. The occurrence of any of the following events shall constitute an Event of Default hereunder allowing for the termination of this Agreement with notice but without an opportunity to cure:

A. If FRANCHISOR and FRANCHISEE agree in writing to terminate this Franchise Agreement;

B. If any warranty or representation of FRANCHISEE in connection with the acquisition of this Franchise or contained in this Agreement, shall prove to be false or misleading in any material respect;

C. If FRANCHISEE purports to sell, transfer or otherwise dispose of or surrender its interest in the Franchised Business in violation of Article XVI above.

D. If the FRANCHISEE or the Entity or a controlling portion of its ownership, whether direct, Partnership, Limited Liability Company or whether Corporation or a substantial portion of its assets comes under the practical, beneficial or effective control of one or more persons other than Principal(s), whether by reason of debt, merger, consolidation, sale or purchase of ownership interests or assets or otherwise; or the Principal(s) shall no longer remain in full time, active conduct and control of the business of the FRANCHISE as required under this Agreement, whether as owner, officer, director, manager, partner, or however the ownership is held and the operating control is affected, whether by reason of death, resignation or otherwise; and in the sole judgment of the FRANCHISOR, any such change of control or office holder may adversely affect the ability of the FRANCHISEE and Entity to carry on its business as previously conducted prior to the change under this Agreement;

E. If the FRANCHISEE or an individual owning 50% or more of the FRANCHISEE or the Entity, shall not pay its debts as they mature or shall make a general assignment for the benefit of creditors or initiate proceedings in bankruptcy or for reorganization or liquidation of FRANCHISEE or the Entity under the Bankruptcy Code or under any other State or Federal Law for the relief of debtors shall be commenced by FRANCHISEE or an individual owning 50% or more of the FRANCHISEE; or if such proceedings shall be commenced against FRANCHISEE or the Entity or an individual owning 50% or more of the FRANCHISEE or the Entity and shall not be discharged within thirty (30) days of commencement; or Receiver, Trustee or Custodian shall be appointed for the FRANCHISEE or the Entity or for any substantial portion of its respective properties or assets;

F. If FRANCHISEE, after curing any previous failure to comply with Article VI of this Agreement, knowingly and repeatedly breaches Article VI of this Agreement;

G. If FRANCHISEE fails to commence operations of its CENTER in the time prescribed in this Agreement;

H. If FRANCHISEE or the Entity shall voluntarily fail to transact its business for a period of five or more consecutive business days (referred to herein has "Abandonment"), unless such business closure: (i) has been pre-approved by the FRANCHISOR or (ii) is due to fire, flood, earthquake or other similar causes beyond the FRANCHISEE'S control;

I. If FRANCHISEE or any of its Principals is convicted by a trial court or pleads no contest to or pleads guilty to, a felony or any other criminal conduct which is relevant to the operation of the Franchised Business;

J. If the Franchised Business or business premises are seized, taken over, or foreclosed by a governmental agency, creditor, lienholder or lessor, respecting the Franchised Business pursuant to Judgments or Decrees which has or have become non-Appealable and shall remain undischarged, unsatisfied by insurance and unstayed for more than thirty (30) days, whether or not consecutive, and which will have a material and adverse effect on the conduct of business by FRANCHISEE or the Entity; or if a Writ of Attachment or Garnishment against the property of FRANCHISEE or the Entity shall be issued and levied in an action and not released or appealed or bonded in a manner and amount satisfactory to the FRANCHISOR within thirty (30) days after such issuance and levy and which will have a material adverse effect upon the continued conduct of the business under this Agreement;

K. FRANCHISEE interferes with FRANCHISOR'S right to inspect the Franchised Business or observe its operation on two or more occasions, as provided in Sections 6.7 and 10.3 of this Agreement;

L. If FRANCHISOR has credible reason to believe FRANCHISEE is engaging in any dishonest, unethical, fraudulent, deceptive or illegal conduct or any other conduct which, in FRANCHISOR'S opinion, reflects materially and unfavorably on the operation of the Franchised Business, the reputation of other franchisees or the goodwill associated with the QTS System;

M. If FRANCHISEE (i) fails within 10 days of notification of failure to comply with any federal, state or local law or regulation applicable to the operation of the Franchised Business; or (ii) has any license or permit necessary for the Franchise Business' proper operation is suspended or revoked for a period of 90 days or more or not renewed or reissued;

N. FRANCHISEE knowingly makes any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

O. FRANCHISEE fails to pay when due any federal, state or local income, service, sales, employment or other taxes due on the operation of the Franchised Business, or repeatedly fails to make or delays making payments to suppliers or lenders, unless FRANCHISEE is in good faith contesting liability for or amounts of these taxes or payments;

P. FRANCHISEE understates it's reported Monthly Gross Revenue: (1) three (3) times or more during any 12 month period or (2) by more than ten percent (10%) on two or more occasions during the term of this Agreement;

Q. FRANCHISEE fails on three (3) or more separate occasions within any twenty-four (24) consecutive month period to: (1) submit when due reports or other data, information or supporting records, (2) pay when due any amounts due to FRANCHISOR (or FRANCHISOR'S affiliates), or (3) otherwise comply with this Agreement, whether or not FRANCHISEE corrects any of these failures after deliver written notice to FRANCHISEE; or

R. If FRANCHISOR makes a reasonable determination that continued operation of the Franchised Business will result in an existing or imminent danger to public health or safety.

19.3 Events of Default Causing Termination Upon Notice With Opportunity to Cure. The occurrence of any of the following events shall constitute an Event of Default hereunder allowing for the termination of this Agreement with notice and after an opportunity to cure:

A. If FRANCHISEE shall fail to pay when due, any sums due FRANCHISOR under any agreement with FRANCHISOR, including but not limited to this Agreement and the Sublease, or any other amount, including obligations to the advertising agency, to suppliers of equipment, inventory and services respecting the Franchised Business, the monthly royalty, advertising and administrative fees, maintaining the required amount of Fee Deposit or other amounts payable by FRANCHISEE under this Agreement and does not correct the failure within sixty (60) days after FRANCHISOR delivers written notice of that failure to FRANCHISEE;

B. FRANCHISEE fails to comply with any mandatory System Standards or operating procedures and does not correct the failure within sixty (60) days after FRANCHISOR delivers written notice of the failure to FRANCHISEE;

C. The lease for the CENTER is terminated for any reason or FRANCHISEE otherwise loses possession of the CENTER premises and FRANCHISEE does not find another site approved by FRANCHISOR and signs a lease within ninety (90) days of such lease termination;

D. If FRANCHISEE is found to be offering and selling unauthorized products or services or purchasing supplies, equipment or inventory from an unapproved supplier and fails to cease such activity within sixty (60) days after FRANCHISOR delivers written notice to FRANCHISEE;

E. If FRANCHISEE or any related entity or any individual subject to the restrictive covenants described in this Agreement, intentionally or negligently violates one or more of those covenants fails to cease such violations within ten (10) days of notification of such violations;

F. If FRANCHISEE or any Entity by which FRANCHISEE conducts the business herein described shall fail to perform in the time and manner required any of its obligations or covenants under, or shall fail to comply with any of the provisions of this Agreement, or any other Agreement with FRANCHISOR to which it may be a party, including the Sublease Agreement, which does not involve the failure to make a payment when due (whether principal, interest, outstanding obligations of FRANCHISEE respecting the business, taxes, insurance or otherwise) and which is not cured by FRANCHISEE within sixty (60) days after the earlier of the date of notice from FRANCHISOR to FRANCHISEE or the date FRANCHISOR is notified or should have been notified by FRANCHISEE of such Default in accordance with specific provisions contained in this Agreement or the Sublease; provided, however, that: (i) if such Default cannot by its nature be cured within such sixty (60) day period or cannot, after diligent attempts by the FRANCHISEE, be cured within such sixty (60) day period and such Default is likely to be cured within a reasonable time thereafter, then FRANCHISEE shall have an additional reasonable period to attempt to cure such Default, but only in the event FRANCHISEE has commenced the steps necessary to cure within such sixty (60) day period and thereafter diligently and timely pursues them and otherwise does not default in any manner during the period of the cure or (ii) if such Default by its nature, is causing actual, material and adverse consequences to the Franchised Business such that no cure period is deemed warranted by the FRANCHISOR, in which case, immediate termination is permitted pursuant to §19.2(L) above; or

G. FRANCHISEE fails to maintain the insurance required by Section 15.4 and does not cure such failure within ten (10) days of the expiration or lapse of FRANCHISEE'S insurance policy(ies).

19.4 Franchisor's Right to Require Management Agreement. Upon the occurrence of an Event of Default, FRANCHISOR will have the right, in FRANCHISOR'S sole discretion, to require, as an alternative to termination of this Agreement, that the defaulting FRANCHISEE enter into a Management Agreement with FRANCHISOR whereby FRANCHISOR will be given the exclusive right to manage FRANCHISEE'S CENTER for a minimum of three (3) months in which to allow the FRANCHISOR to implement changes intended to return the CENTER to profitable operations and timely payment of the fees owed to FRANCHISOR pursuant to this Agreement. Any such Management Agreement may be for longer than 3 months if agreed to by both the FRANCHISOR and FRANCHISEE. During the term of any such Management Agreement, FRANCHISEE'S Monthly Royalty Fee will be increased from 10% to 12%. FRANCHISEE acknowledges that any such Management Agreement may be unsuccessful in returning the CENTER to profitability and, upon the expiration of any such Management Agreement, if FRANCHISEE continues to be or becomes in default under this Agreement, FRANCHISOR will have the right to exercise any and all rights provided under this Article XIX.

19.5 FRANCHISOR'S Right to Step In and Operate FRANCHISEE'S Center. In the event that FRANCHISOR terminates this Agreement in accordance with this Section 19 or in the event FRANCHISOR reasonably believes that the operation of FRANCHISEE'S CENTER in compliance with this Agreement is in jeopardy, and in order to prevent any interruption of the business of the CENTER and any harm to the goodwill and reputation of the QTS System, FRANCHISEE hereby authorizes FRANCHISOR or its designated representative, at FRANCHISOR'S sole option and discretion, to assume operation of FRANCHISEE'S CENTER for so long as FRANCHISOR deems necessary and practical, and without any waiver of any rights or remedies FRANCHISOR may have under this Agreement. If FRANCHISOR should undertake to operate FRANCHISEE'S CENTER, such undertaking will be only temporary, for such time as necessary to reestablish normal operations at the CENTER utilizing FRANCHISEE'S employees and for a period not to exceed ninety (90) days. All funds from the CENTER'S operation while FRANCHISOR assumes its management will be kept in a separate account, and all of the CENTER'S expenses and fees will be charged to this account. FRANCHISOR has a duty to utilize only reasonable efforts and will not be liable to FRANCHISEE for any debts, losses or obligations the Franchised

Business incurs, or to any of FRANCHISEE'S creditors for any products or services the CENTER purchases, while FRANCHISOR manages it.

19.6 Purchase of Franchised Business Assets upon Termination or Nonrenewal.

A. In the event of Termination of this Agreement by FRANCHISOR pursuant to this Article XIX or in the event of non-renewal of this Agreement pursuant to Article II, FRANCHISOR shall be obligated to purchase from FRANCHISEE, price paid, minus depreciation, all inventory, supplies, equipment, fixtures and furnishings related to the Franchise Business and purchased or paid for by FRANCHISEE under the terms of this Agreement or any ancillary or collateral agreement between FRANCHISOR and FRANCHISEE, that are, at the time of the notice of termination or nonrenewal, in the possession of FRANCHISEE or used by FRANCHISEE in the Franchise Business. FRANCHISOR shall have the right to receive and FRANCHISEE shall be obligated to sign all such documents and take all such actions necessary to deliver clear title to and possession of all items purchased by FRANCHISOR.

B. Any and all costs, expenses and liabilities incurred by FRANCHISOR, including attorney's fees incurred by FRANCHISOR, in exercising this obligation and in acquiring said business and assets as well any and all monies or other performance due and owing from FRANCHISEE (or the Entity operating the business hereunder) to FRANCHISOR or to third parties (if FRANCHISOR is also obligated to pay the obligation if not paid by FRANCHISEE), plus any damages, expenses and costs incurred or suffered by FRANCHISOR by reason of any Event of Default, breach or violation of this Agreement by FRANCHISEE, shall be deducted from the Purchase Price payable by FRANCHISOR determined as provided above. If sums remain due FRANCHISOR as a result of said Event of Default, in addition to offset of the purchase price to purchase the business assets of FRANCHISEE, those sums shall remain outstanding and payable to FRANCHISOR.

Concurrent with a Termination, whether or not FRANCHISOR purchases the assets of FRANCHISEE, the Sublease of FRANCHISEE shall terminate and all rights under it shall thereafter be those of FRANCHISOR, as Sublessor.

C. The obligations of FRANCHISOR to purchase the FRANCHISEE's business assets set forth in Paragraph A above, shall not apply if any of the following events occur:

1. Failure of FRANCHISEE to deliver clear title and possession of any item to be purchased by FRANCHISOR;

2. FRANCHISEE declines a bona fide offer of renewal from FRANCHISOR;

3. FRANCHISOR permits FRANCHISEE to retain control of the principal place of the Franchised Business;

4. Any termination or nonrenewal of a Franchise due to a publicly announced and nondiscriminatory decision by FRANCHISOR to completely withdraw from all franchise activity within the relevant geographic market area in which the Franchised Business is located.

5. Any items identified in Paragraph A above which are sold by FRANCHISEE between the date of the notice of termination or nonrenewal, and the cessation of operations of the Franchised Business by FRANCHISEE, pursuant to the termination or nonrenewal.

19.7 In the event either party disputes a claim of material breach and the right to Termination, the obligation to pay royalties shall continue until such dispute is settled and specifically during any period of arbitration or litigation in accord with the provisions of this Agreement. If it is determined that the Franchise is terminated, payment of Royalty shall be due on all revenues earned through Termination date, and any overpayment refunded. In the event it is determined that Termination was proper, FRANCHISEE shall be liable to FRANCHISOR for the value of any services rendered after the determined Termination date.

19.8 If FRANCHISEE is Sub-Letting from FRANCHISOR and FRANCHISOR is terminated from its Lease for any reason, FRANCHISEE will not hold FRANCHISOR responsible for damages. FRANCHISOR and FRANCHISEE will in such event cooperate in respect to the provisions of Section 3.3 et seq of this Agreement.

ARTICLE XX

RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION

20.1 Termination of Franchised Business.

Upon termination or expiration of this Agreement, FRANCHISEE shall immediately cease to be an authorized Franchised Business and shall comply with the following:

A. Immediately vacate the Location and remove all of FRANCHISEE's personal property not on the books of the Franchise, or that FRANCHISOR has notified FRANCHISEE in writing to remove; provided that FRANCHISEE shall leave all equipment in good working order and all inventory in good salable condition. However, in the case of Abandonment, upon a declaration of Abandonment of the Franchise by the FRANCHISOR and FRANCHISOR retaking possession of the abandoned CENTER, all equipment, inventory, furniture, supplies and any other property remaining in the CENTER will become the property of the FRANCHISOR.

B. Immediately discontinue all use of the Names and Marks, trade dress, exterior and interior signs, and forms of advertising depicting FRANCHISOR or the Franchise, its symbols, trademarks, service marks, business, and products (collectively referred to as "indicia of the Franchise"). Franchisee shall immediately remove all indicia of the Franchise so as to eliminate FRANCHISOR's name, trademarks, service marks, and symbols from the Location. FRANCHISEE shall also remove from the Location and cease using all of the paper products and other articles bearing FRANCHISOR's Names or Marks. FRANCHISEE shall not adopt or use marks or names which are confusingly similar to or colorable imitations of FRANCHISOR's Names or Marks.

C. FRANCHISOR will have no further obligations under this Agreement, but will have the right to itself or have another franchisee to begin providing automobile repair services to FRANCHISEE'S customers;

D. FRANCHISEE shall, within 10 days of presentment, pay FRANCHISOR all sums remaining owing from FRANCHISEE to FRANCHISOR under the terms of this Agreement after deduction for the purchase by FRANCHISOR of such Franchise Business assets as and if required under §19.6. Said sums shall include all damages, costs and expenses, including reasonable attorneys' fees, if any, incurred by FRANCHISOR by reason of default on the part of FRANCHISEE whether or not such occurs prior to or subsequent to the termination or expiration of this Agreement, and said sums shall include all costs and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR in obtaining injunctive or other relief to enforce the provisions of this Agreement. If FRANCHISEE has not paid all sums owing to FRANCHISOR within 10 days after presentment, FRANCHISOR will deduct all such unpaid amounts from FRANCHISEE's Fee Deposit. After all amounts owing to FRANCHISOR have been paid, FRANCHISOR will promptly return to FRANCHISEE any funds remaining in FRANCHISEE's Fee Deposit account except for $5,000 which will be retained by FRANCHISOR for a period of 90 days to cover obligations set forth in subsection J below occurring during that period. At the end of such 90 day period, FRANCHISOR shall promptly return to FRANCHISEE any amount not utilized as set forth above;

E. FRANCHISEE shall immediately discontinue use of the Franchised Business and all manuals, materials, advertisements and any other items relating to FRANCHISOR or the Franchised Business and shall promptly return to Franchisor all such manuals, materials, advertisements and other items relating to the Franchised Business or bearing any of the FRANCHISOR'S Marks. FRANCHISEE shall also make available to

FRANCHISOR the QTS System computer in order for FRANCHISOR to retrieve all confidential and proprietary information and trade secrets existing on FRANCHISEE's computer. FRANCHISEE shall be prohibited from copying, disseminating or in any other manner disclosing or using such information contained in such manuals or any other materials all of which are claimed to be trade secrets by FRANCHISOR pursuant to Article XIV above;

F. The methods, operations, interviewing, promotional data, periodic reports, inventory, customer lists, price lists and other information pertaining to FRANCHISOR's or FRANCHISEE'S business including the terms of this Agreement and the Franchised Business are Confidential and Proprietary and represent Trade Secrets that are owned by and remain the exclusive property of FRANCHISOR. FRANCHISEE agrees that for a period of five (5) years following the termination or expiration of the term of this Agreement, FRANCHISEE will not use or disclose to others any Confidential or Proprietary Information or Trade Secrets of FRANCHISOR or the business of FRANCHISOR, whether by direct or by indirect means, except with the prior written permission and consent of FRANCHISOR. FRANCHISEE further agrees that in the event of termination of this Agreement or any successor Franchise And License Agreement with FRANCHISOR, that FRANCHISEE and the Principal(s) of FRANCHISEE will return to FRANCHISOR any and all Proprietary and/or Confidential Information of FRANCHISOR, in whatsoever form, and will not retain copies thereof.

G. FRANCHISEE shall immediately cease to use, by advertising or in any manner whatsoever, the name "Quality Tune-Up Shops" any forms, slogans, signs, marks, symbols, or devices used in connection with the operation of the Franchised Business. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or in the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute FRANCHISOR'S exclusive rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with FRANCHISOR or a former association or connection with FRANCHISOR.

H. Assign to FRANCHISOR or to any party FRANCHISOR may designate all FRANCHISEE'S registrations in or with any governmental agency or department pertaining to the use of the Name(s) or Mark(s) "QUALITY TUNE-UP SHOPS" and "QUALITY TUNE-UP SHOPS" AND DESIGN or any part thereof, and change any business name or name registration which includes the name "QUALITY TUNE-UP SHOPS" and release in writing FRANCHISEE'S right to same. FRANCHISEE shall also take such action as may be required to cancel all assumed name or equivalent registrations relating to its use of any Marks.

I. Cease using (1) all telephone numbers and listings including white pages and yellow page listings in advertising and immediately transfer (without cancellation) all existing telephone numbers and listings over to FRANCHISOR; (2) all SAGE data and information; and (3) all e-mail addresses or web sites using the name "Quality Tune-Up" or any derivatives or abbreviations thereof.

J. Assign FRANCHISEE'S interest in any premises Lease or Sub-lease for the CENTER to FRANCHISOR or its designee.

K. Assign any contracts, equipment leases or other contracts incurred in the operation of the Franchised Business, which FRANCHISOR, in its sole discretion, determines to assume.

L. FRANCHISEE will have no obligation to pay the then current value of any royalties or advertising fees for periods after the effective date of any termination of this Agreement <u>if</u> FRANCHISEE has executed, as of the effective date of such expiration or termination, a general release, in form prescribed by FRANCHISOR, of any and all claims, known or unknown, against FRANCHISOR.

M. FRANCHISEE shall remain liable to provide all labor or pay all labor costs and all costs of material related to any warranty claims made during any remaining warranty period relating to any automobile services performed by FRANCHISEE while subject to this Agreement, as required by Section 6.3 above. If FRANCHISEE is unable or unwilling to provide such warranty service, FRANCHISOR may provide such warranty service and FRANCHISEE agrees to reimburse FRANCHISOR for the cost of all such services and material, the payment for which shall first be made from any residual Deposit Fee held by FRANCHISOR pursuant to subparagraph D above and any remaining amount to be paid within thirty (30) days of presentment of a bill from FRANCHISOR.

N. In addition to the above provisions, in the case of Abandonment, FRANCHISOR will also be entitled to liquidated damages relating to such Abandonment in an amount equal to three (3) months of rent and the cost of all reasonable repairs required to be performed by FRANCHISOR on the abandoned CENTER.

O. Franchisee shall comply with the post-termination provisions of this Article XX, to the extent such provisions are enforceable under laws of the state in which the FRANCHISEE's terminating Protected Territory is located.

20.2 Without any obligation other than to exercise due care, FRANCHISOR shall have the right and is hereby granted authority:

A. To transfer to FRANCHISOR, or its designee, all of FRANCHISEE'S rights and interest in (1) all telephone numbers and listings, including white page and yellow page listings in advertising and (2) all e-mail addresses or websites using the name "Quality Tune-Up" or any derivatives or abbreviations thereof.

B. To enter the CENTER or any office premises of FRANCHISEE, at FRANCHISOR's option, to remove from the CETNER or such premises all data relating to the FRANCHISEE's Franchised Business.

C. To enter the CENTER or any office premises of FRANCHISEE, at FRANCHISOR's option upon Termination or expiration, to remove from the CENTER or such premises all signs, advertising material, unused supplies, etc., and any and all other items bearing the name and mark "QUALITY TUNE-UP SHOPS" in whatever form said name and mark are used. This authority and right granted specifically includes detachment and removal of all other identification to an extent and in a manner sufficient to remove therefrom all similarities to the appearance of a "QUALITY TUNE-UP SHOPS" Franchised store or CENTER. FRANCHISEE agrees that upon its removal of items bearing the name and mark "QUALITY TUNE-UP SHOPS" in whatever form said name and mark are used, it will store same without charge and make same available to FRANCHISOR at all reasonable times or dispose of same at instruction of FRANCHISOR following written notice from FRANCHISEE of the removal and Termination of use and Locations where FRANCHISOR may pick them up, or to ship as directed by FRANCHISOR in writing, at FRANCHISOR's expense. If FRANCHISOR fails to pick up said materials or instruct FRANCHISEE within thirty (30) days after receiving notice of said storage and its Location, FRANCHISEE may make any disposal it sees fit excepting reuse which would give any unauthorized or mistaken impression or identity of "QUALITY TUNE-UP SHOPS" authorized use.

In the event of Termination for Default, said removal shall be at the expense of the FRANCHISEE. Otherwise the reasonable costs of said removal shall be borne equally by FRANCHISOR and FRANCHISEE unless other arrangements have been mutually agreed to.

20.3 <u>Termination of Protected Territory But Not Entire Franchised Business</u>. Upon the termination of one or more Protected Territories where FRANCHISEE continues to operate a Franchised Business in one or more remaining Protected Territories, the terms and conditions of this Article XX shall be applicable only to the terminating Protected Territories.

20.4 <u>Rights and Remedies Not Exclusive</u>. No right or remedy herein conferred upon or reserved to FRANCHISOR is exclusive of any other right or remedy herein or as provided or permitted by law or equity; but each shall be cumulative of every other right or remedy given hereunder.

ARTICLE XXI

<u>INDEPENDENT CONTRACTORS AND INDEMNIFICATION</u>

21.1 This Agreement does not constitute FRANCHISEE as an agent, legal representative, joint venturer, partner, employee, or servant of FRANCHISOR for any purpose whatsoever; and it is understood between the parties hereto that FRANCHISEE is an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of FRANCHISOR or to create any obligation, express or implied, on behalf of FRANCHISOR. FRANCHISEE shall prominently display, in its place of business, a notice stating that the Franchised Business is operated by FRANCHISEE independent of and separate from FRANCHISOR or any affiliate of the FRANCHISOR.

21.2 Under no circumstances shall FRANCHISOR be liable for any act, omission, debt, tax or any other obligation or liability of FRANCHISEE or any subcontractor employed by FRANCHISEE. FRANCHISEE shall defend, at its own cost, indemnify and hold FRANCHISOR harmless against any and all losses, costs, expenses, (including attorneys' fees) damages, or claims ("Indemnified Claims") and the cost of defending against any and all Indemnified Claims arising directly or indirectly from, or as a result of, or in connection with, FRANCHISEE'S operation of its Franchised Business, including claims arising from the actions of FRANCHISEE'S subcontractors or agents. Indemnified Claims shall include those arising from the death or injury to any person or arising from damage to the property of FRANCHISEE, FRANCHISOR, their respective agents, employees, customers, and any third party firm or corporation.

ARTICLE XXII

DISPUTE RESOLUTION

22.1 General. Any controversy, dispute, litigation, action, or claim arising out of or relating to (a) this Agreement or any other agreement related to this Agreement, performance hereunder or breach thereof; (b) the relationship of the parties; or (c) the validity of this Agreement or any other agreement between the parties, or any provision thereof, which cannot be amicably settled, shall be settled by arbitration conducted in the county in California in which Franchisor maintains its principal office. Said arbitration shall be conducted in accordance with the then current Commercial Arbitration Rules of: (i) the Franchise Arbitration and Mediation, Inc. ("FAM"); (ii) the American Arbitration Association; or (iii) any other arbitration service approved by all parties.

22.2 Equitable Relief. FRANCHISEE agrees that neither termination of this Agreement, nor any action at law, nor both, would be an adequate remedy for a breach or default by FRANCHISEE, or by any other persons bound thereby, in the performance of any obligation relating to the FRANCHISOR's Names and Marks, the trade secrets or Confidential Information revealed to FRANCHISEE in confidence hereunder, any FRANCHISOR guarantees, or such other obligations or conditions hereunder requiring equitable relief, including without limitation the obligations of FRANCHISEE and such others upon and after termination of this Agreement. It is agreed that in the event of any breach or default in addition to all of the remedies provided elsewhere in this Agreement or by law, FRANCHISOR shall be entitled to relief in equity (including a temporary restraining order, temporary or preliminary injunction, and permanent mandatory or prohibitory injunction), to restrain the continuation of any such breach or default or to compel compliance with such provisions of this Agreement.

22.3. Mandatory Arbitration. Except insofar as FRANCHISOR elects to seek equitable relief by judicial process, injunction or specific performance as provided in Section 22.2 above, any controversy, dispute or claim involving or relating to this Agreement or the Franchised Business shall be submitted to the arbitration procedures set forth herein. Mandatory arbitration will not apply to claims relating primarily to (i) the validity of any of FRANCHISOR'S trademarks or service marks; (ii) FRANCHISOR'S rights to obtain and enforce a temporary restraining order, preliminary injunction, or permanent injunction; or (iii) any class-wide or multiple plaintiff or similar claims.

A. Initiation of Arbitration. After 30 days prior written notice to the other, either party hereto may formally initiate arbitration under this Agreement by filing a written request therefor, and paying the appropriate filing fees, if any.

B. Arbitration Procedure. The parties will agree upon one arbitrator to conduct the arbitration proceeding. If the parties shall fail to select an arbitrator within 21 days after arbitration has been formally initiated, then an arbitrator shall be selected by the American Arbitration Association upon application by either party.

C. Costs of Arbitration. The parties to any arbitration will bear their own costs, including attorneys' fees and will share equally the filing fee and all other fees charged by the arbitration service.

D. Injunctive Actions. Nothing herein contained shall bar the right of either party to injunctive relief or other provisional remedies against threatened or actual conduct that will cause loss or damages under the usual equity rules including the applicable rules for obtaining preliminary injunctions and other provisional remedies, provided an appropriate bond against damages is provided.

22.4 Execution of Arbitration Award. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and non-appealable.

22.5 Enforcement of Arbitration Provisions. The provisions of this Article XXII will be deemed to be self-executing, will survive the term of this Agreement and remain in full force and effect notwithstanding its expiration, rescission, termination or otherwise for any reason. The provisions of this Agreement (including but not limited to those relating to mandatory arbitration, waiver of jury trial, limitation of damages, prior notice of claims, costs and attorney's fees, or otherwise) will be construed as independent of each other provision of this Agreement and if any provisions are deemed to be unenforceable in any way, such provisions will be modified or interpreted to the minimum extent necessary to have them comply with the law and the remaining provisions of this Agreement. The parties' agreement to submit claims to binding arbitration, will remain in full force and effect, the parties agreeing, in consideration of their mutual judgment that mediation and arbitration are generally superior methods of resolving disputes, that the unenforceability of any provisions of this Article XXII shall not affect the remainder of this Article XXII or otherwise, notwithstanding any statutory or decisional law to the contrary. Notwithstanding any provisions of this Agreement or otherwise relating to which state or provincial laws this Agreement will be governed by and construed under, all issues relating to arbitrability and/or the enforcement of the provision to arbitrate contained herein will be decided by the arbitrator and will be governed by the Federal Arbitration Act (916 U.S.C. § 1 et seq.) and the federal common law of arbitration. Notwithstanding any provisions of state law to the contrary, Franchisor intends to fully enforce the provisions of this Agreement and other documents, including all venue, choice-of laws and mediation/arbitration provisions, and to rely on federal preemption under the Federal Arbitration Act (916 U.S.C. § 1 et seq.).

22.6 Litigation, Venue, Waiver of Rights to Trial by Jury, Limitation of Damages in Arbitration and/or Litigation, etc.

A. Without in any way limiting or otherwise affecting the obligations regarding binding arbitration, Franchisor and Franchisee agree that any litigation between them whether to enforce an arbitration award or involving any litigation, dispute, controversy, claim, proceeding, or otherwise between or involving FRANCHISOR and FRANCHISEE which is not subject to the foregoing provisions regarding arbitration (or in the event that a court having jurisdiction should hold that the foregoing provisions regarding arbitration are not enforceable) and bearing in mind FRANCHISEE'S and FRANCHISOR'S interest in having a single court determine issues in a consistent manner for application throughout the Franchised Business and not have FRANCHISOR or its franchisees exposed to inconsistent decisions, will be held exclusively before a court in the most immediate judicial district encompassing FRANCHISOR'S headquarters and having subject matter jurisdiction, FRANCHISEE and FRANCHISOR consenting to the exclusive jurisdiction of such court. In this Agreement, all references to FRANCHISOR'S headquarters refers to its offices in Rocklin, California.

B. So as to achieve many of the advantages which would normally be associated with arbitration (such as lower expense, more rapid resolution of controversies, fewer protracted and complex proceedings, reduced instances of costly and time-consuming appeal, etc.) and for FRANCHISEE'S and FRANCHISOR'S mutual benefit, FRANCHISEE and FRANCHISOR agree that in any arbitration, litigation or otherwise, FRANCHISOR and FRANCHISEE each knowingly waive all rights to trial by jury and, in any arbitration, litigation or otherwise, FRANCHISEE and FRANCHISOR each waive any right to recover, and any claims for (whether by claim, counter-claim, way of defense or otherwise), punitive, exemplary, multiple, pain-and-suffering, mental distress, incidental, consequential, special, lost income and/or profits (except as expressly provided below) and/or similar damages under any theory whatsoever. However, FRANCHISOR may recover the then-current value of any franchise fees, royalties, advertising fees and/or other payments FRANCHISEE is, or would be, obligated to make, or would normally make, in the absence of a breach or termination, to FRANCHISOR or any affiliated company, whether by agreement or otherwise.

22.7 Construction, Agreement Limited to Express Terms. FRANCHISEE and FRANCHISOR, each believing that having written documents as the only basis for their legal relationship and benefits each of the parties and reduces the risk of uncertainty or other persons imposing obligations which FRANCHISEE and FRANCHISOR did not expressly consent to, agree that this Agreement should be strictly interpreted according to its express terms so as to avoid a court or arbitrator from imposing (or expanding) duties on the parties to this Agreement that were not expressly agreed to by FRANCHISEE and FRANCHISOR.

Pursuant to the preceding understandings, the Franchisee and Franchisor agree that no liability will result from the exercise of discretion permitted by this Agreement so long as there is no finding that such exercise of discretion was done in bad faith.

22.8 Non-Retention of Funds. If FRANCHISEE believes that FRANCHISOR or any other person/entity has violated any legal duty to FRANCHISEE, FRANCHISEE will, notwithstanding such dispute, pay as designated all sums specified under this Agreement or otherwise (including royalties, any unpaid portion of the initial franchise fee, any advertising fees, etc.) and will not withhold any payments until and unless such dispute has been finally determined in FRANCHISEE'S favor.

ARTICLE XXIII

NOTICES

23.1 All notices required by or given respecting this Agreement or the subject matter thereof shall be sent by registered or certified mail, postage prepaid, to the latest known address of either party except each party reserves the right to designate an additional address or a separate address or a change of address for notices to be sent in writing and served. FRANCHISEE’S and FRANCHISOR'S initial address for notices shall be designated in this Agreement as here provided.

23.2 If FRANCHISEE or any of its employees receive service of legal process or notice of suit, court hearing, or other proceedings, concerning a matter arising out of or related to the terms of this Agreement, FRANCHISEE shall immediately send FRANCHISOR a true copy of such service together with an explanation of its knowledge and that of its employees or those acting under its authority respecting the subject matter. Such explanation may be brief but must truly represent all salient facts. The parties agree to cooperate mutually if a defense shall be jointly necessary, and the parties agree that each will cooperate with the other in the event the defense be only by one party to this Agreement and not the other.

ARTICLE XXIV

JURISDICTION, INTERPRETATION, MODIFICATION,
EXECUTION AND MISCELLANEOUS

24.1 This Agreement shall be governed by and construed in accordance with the laws of the State of California. The parties agree to the jurisdiction of the Placer County Superior Court and the Federal District Court, Eastern District, California, in Sacramento.

24.2 FRANCHISEE acknowledges that it has received a copy of this Agreement in time to afford ample opportunity to seek its own selection of legal counsel, and to then first analyze and negotiate respecting the provisions or any of them of this Agreement and Franchise. Any deposit made by FRANCHISEE prior to executing this Agreement shall be credited to the obligations of FRANCHISEE hereunder.

24.3 This instrument contains the entire agreement of the parties. No representations, inducements, promises, negotiations, or agreements, oral or otherwise, not embodied herein shall be of any force or effect. This Agreement may not be amended except by further written agreement containing said amendment and dated and signed by both parties.

24.4 Failure of either party to enforce any provision, or waiver by either party of any default, shall not operate as a waiver of successive defaults, and all the rights of the parties shall continue notwithstanding one or more such failures or waivers. The failure of either party to insist at any time upon strict performance or enforcement of any one or more or all terms, conditions or obligations here, or the failure to exercise any rights hereunder, shall not be deemed abandonment thereof, and the same shall continue in full force and effect notwithstanding one or more waivers. At any and all times, each party may exercise all its rights hereunder, plus all legal and equitable remedies.

24.5 No right, remedy or election hereunder shall be deemed exclusive but in each instance shall be cumulative with all other remedies.

24.6 "Days" shall be counted by excluding the first day and including the last day, excepting if the last day falls on a Saturday, Sunday or holiday, the next succeeding business day shall be considered the last day. "From date hereof" means that the time period is measured from the date of final signing of this Agreement by the last party executing and dating same.

24.7 Time is of the essence of this Agreement, and all provisions shall be so interpreted and enforced.

24.8 It is the intent of the parties mutually to cooperate and benefit under this Agreement and its performance, and to perform in a beneficial and reasonable manner. All provisions shall be so interpreted. Wherever approval of FRANCHISOR is required, it may not be capriciously or unreasonably delayed or withheld and shall be deemed given if FRANCHISOR does not respond to FRANCHISEE'S request within ten (10) days. FRANCHISEE agrees that strict compliance with the use of prescribed forms and reporting and payment schedules is reasonable since it is necessary to FRANCHISOR's internal requirements and to mutual advantage and benefit of both parties, and agrees to abide thereby. Said forms, time schedules and FRANCHISOR's operating guidelines shall be uniform for all "QUALITY TUNE-UP SHOPS" Franchises.

24.9 Each undersigned individual, in personal and/or representative capacity, acknowledges that he or she has read and understands each and every provision herein, and is agreeable to this contract as a whole and all provisions hereof, and acknowledges that he or she hereby signs this Agreement as warranty of such capacity and as evidence of understanding this Agreement, and ratification hereof, as a wholly voluntary act.

24.10 The failure to perform or delays in the performance of any duties hereunder which are not the fault of and not within the reasonable preventive control of the parties due to perform, including but not limited to government regulations, labor disputes, natural disasters, acts of God, civil disorders, riots, slowdowns or disputes, or other similar events, shall not cause a Default in said performance, but, in the event of delay, the parties shall extend the time of performance for a period of time equivalent to the length of the delay, or for such other reasonable period of time as agreed to between the parties.

24.11 FRANCHISOR AND FRANCHISEE RECOGNIZE AND AGREE THAT THE ENFORCEMENT OF SOME OF THE PROVISIONS OF THIS AGREEMENT WOULD NOT BE ADEQUATE BOTH WITH RESPECT TO THE PARTIES AND, AS WELL, WITH RESPECT TO OTHER FRANCHISEES AND THE FRANCHISE SYSTEM OF FRANCHISOR, EXCEPT IN THE EVENT THAT EQUITABLE RELIEF IS AVAILABLE TO ENFORCE PROVISIONS OF THIS AGREEMENT AND, THEREFORE, IT IS MUTUALLY AGREED BETWEEN THE PARTIES AND EACH PARTY CONSENTS TO THE ENFORCEMENT OF THE TERMS OF THIS AGREEMENT ENTITLING EITHER PARTY TO INJUNCTIVE RELIEF FOR THE PURPOSE OF ENFORCING THE PROVISIONS OF THIS AGREEMENT AS AND WHEN REQUIRED DURING ITS TERM AND AT ANY TERMINATION OF ITS TERM FOR WHATSOEVER REASON.

24.12 All of the covenants, agreements, representations and warranties of FRANCHISEE and its Principal(s) in connection with this Agreement, exhibits thereto and any document contemplated hereby shall survive the execution of this Agreement and shall be deemed to have been relied upon by FRANCHISOR.

24.13 FRANCHISEE agrees to reimburse FRANCHISOR, upon demand, for all costs and expenses incurred by FRANCHISOR in connection with (i) collecting or attempting to collect any indebtedness or any part thereof due FRANCHISOR or for which FRANCHISOR is obligated to pay third parties, although a debt or obligation of FRANCHISE; (ii) maintaining or defending FRANCHISOR or its security interests or liens or the priority thereof; (iii) the enforcement of FRANCHISOR'S rights or remedies under this Agreement or the other documents contemplated by this Agreement, both at time of execution of this Agreement and during the term thereof; and (iv) any other matters or proceedings arising out of or in connection with this Agreement or the performance thereof, which include without limit sums advanced to pay obligations of FRANCHISEE which it is required to pay under this Agreement or the other documents contemplated hereby, expenses related to any default or alleged default by FRANCHISEE, including legal fees and other costs incurred to protect the interests of FRANCHISOR and all other costs and expenses of the FRANCHISOR incurred in connection with any of the foregoing and any of the provisions of this Agreement.

24.14 This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and the respective successors and assigns of each; provided, however, that the FRANCHISEE may not assign or transfer its rights or obligations hereunder except in accordance with the provisions of this Agreement.

24.15 FRANCHISEE shall keep all of its records concerning its business operations and accounting of business under the terms of this Agreement and shall, at the request of FRANCHISOR, make said records available to FRANCHISOR for examination and copying, or to authorize representatives; of FRANCHISOR.

24.16 If any of the provisions of this Agreement are ever held by a Court of competent jurisdiction to violate any applicable law of the United States or any State or Municipality, or to be unenforceable for any reason, said provision shall be construed and interpreted to be severable from the remainder of this Agreement.

24.17 If the provisions of this Agreement requiring payment of Royalty by FRANCHISEE to FRANCHISOR are severed from this Agreement or are otherwise unenforceable for whatsoever reason, then only FRANCHISOR shall have the right commencing with the effective date of such determination and thereafter only to charge FRANCHISEE for any services which FRANCHISOR provides under this Agreement at the full and fair value at that time.

24.18 This Agreement may be signed in any number of counterparts with the same effect as if the signatures were upon the same instrument.

24.19 Immediately following reasonable request by the FRANCHISOR, the FRANCHISEE shall provide to FRANCHISOR such further documents, instruments, opinions and assurances as may be requested from time to time by FRANCHISOR in connection with this Agreement or any of the related Agreements to this Agreement.

24.20 This Agreement and the Exhibits executed in connection herewith are integrated agreements. Except as set forth specifically otherwise herein or in the Exhibits executed in connection herewith, this Agreement and the Exhibits executed in connection herewith supersede all prior representations and agreements, if any, between the parties to this Agreement. This Agreement and the Exhibits hereto and the documents constituting a part of the Franchise, including the Uniform Franchise Disclosure Document and the Sublease, when executed contain the entire and only understanding between the parties regarding the terms of this Agreement and the Exhibits hereto and may not be altered, amended or extinguished, except by a writing which expressly refers to this Agreement and is signed subsequent to the execution of this Agreement by all parties.

IN WITNESS WHEREOF, FRANCHISOR and FRANCHISEE acknowledge that they and each of them have fully read this Agreement, have had possession of a copy of it as well as the Uniform Franchise Disclosure Document (UFDD) and all Exhibits to it, and FRANCHISEE has had an opportunity to review those Documents with legal counsel and others of FRANCHISEE'S choice, and voluntarily executes this Agreement, the CENTER Sublease and the related Documents thereto, including but not limited to Documents respecting secured financing or other financing of expenditures required of FRANCHISEE at the commencement of this Franchise.

"FRANCHISOR"

The Tom McVey 2004 Quality Tune-Up Shops, LLC, a Delaware limited liability company

Dated:__________________ By:______________________________
Tom McVey, Managing Member

"FRANCHISEE"

____

Dated:__________________ By:______________________________

CONSENT OF FRANCHISEE SPOUSE

The undersigned certifies that I am the lawful spouse of the foregoing Franchisee signatory to the Tom McVey 2004 Quality Tune-Up Shops Franchise And License Agreement; that I acknowledge that I have read the Franchise And License Agreement and know its contents. I agree to be bound and accept the provisions as contained in the Franchise And License Agreement in the same manner and to the same extent as if a party thereto, and thus am a party thereto by Consent.

Dated:______________________ ______________________________

EXHIBIT A

BUSINESS ADDRESS OF AUTHORIZED CENTER

AND

PROTECTED TERRITORY

Protected Territory and Authorized Location

1. Franchisee will conduct his, her or its business at the following address and contact numbers ("Authorized Location"):

Address: ______________________ Phone #: ____________________

______________________ Fax #: ______________________

E-Mail: ______________________

2. The Franchisee's Protected Territory shall be defined as:
____
____
____

3. FRANCHISEE shall operate the Authorized Location from _______ A.M. through ______________ P.M. on Monday through Friday; from _____ A.M. through ______________ P.M. on Saturday; and from________________ A.M. through _________________ P.M. on Sunday.

4. The Franchisee shall pay an initial Fee Deposit of $_______________

Franchisor's Initials _____ Franchisee's Initials_______

(use additional pages for sale of additional Authorized Locations)

EXHIBIT B

SERVICE MARKS

Quality

TUNE-UP SHOPS

EXHIBIT C

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

QUALITY TUNE-UP SHOPS
CONFIDENTIALITY AND NONDISCLOSURE
AGREEMENT

1. I acknowledge that in consideration of my owning an interest in or working for ________________________, a franchisee ("Franchisee") of The Tom McVey 2004 Quality Tune-Up Shops, LLC ("Franchisor"), I have agreed to execute, this Confidentiality and Nondisclosure Agreement ("Agreement"). I have read this Agreement and understand its terms and am willing to execute this Agreement in favor of the Franchisor.

2. I hereby agree as follows:

A. Nondisclosure of Trade Secrets and Confidential Information. I agree not to disclose, duplicate, sell, publish, furnish or communicate, either directly or indirectly, any Trade Secrets or Proprietary Information of the Quality Tune-Up Shops ("QTS")/Franchised Business (as defined in the Franchise Agreement) to any other person, firm or entity, unless authorized in writing by Franchisor. I agree not to use any Trade Secrets for my own personal gain or for purposes of advantage for others except in conjunction with the Franchised Business, whether or not the Trade Secrets have been conceived, originated, discovered or developed, in whole or in part, by me or represents my work product. To the extent I have assisted in the preparation of any information which Franchisor considers to be a Trade Secret or has itself prepared or created such information, I hereby assign any rights that I may have in such information as its creator to Franchisor.

B. Definition of Trade Secrets. For purposes of this Agreement, the term "Trade Secrets" means any and all knowledge, techniques, processes or information made known or available to me by Franchisee which is not otherwise known to the general public. Such Trade Secrets shall specifically include methods and procedures of the QTS operating systems, marketing techniques, customer lists, forms, bookkeeping methods and other techniques and materials relating to the Franchised Business.

C. Return of Proprietary Materials. Upon expiration or termination of the QTS Franchise Agreement, or my ownership in or employment by the Franchisee, I shall return to Franchisor or Franchisee, respectively, all materials in my possession which is considered confidential or proprietary by Franchisor, technical or non-technical, whether or not copyrighted, which relate to the QTS System. I expressly acknowledge that any such materials of any kind provided to me shall be and remain the sole property of the Franchisee or Franchisor.

D. Solicitation of Employees. I agree that for as long as the QTS Franchise Agreement between Franchisor and Franchisee is in full force and effect, and except as otherwise approved in writing by Franchisor or the Franchisee, I shall not, either directly or nondirectly, for myself, or through, on behalf of, or in conjunction with any person, partnership or corporation:

1. Divert or attempt to divert any business or customer of a QTS Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform directly or indirectly, any other act injurious or prejudicial to the goodwill associated with QTS's Marks and franchises; or

2. Employ or seek to employ any person or otherwise divulge any Trade Secrets or Proprietary Information to any person who intends to or may disclose any such information to any QTS competitor.

E. Covenant Re: Non-Competition. I agree that I shall not own, maintain, engage in, act as a consultant to, or have any interest in, or promote or otherwise assist, any business (including any business operated by the undersigned prior to executing the Franchise Agreement) which is a member of, associated with or operated as a competing automobile repair service at all times during the term of the Franchise Agreement or for such time as I hold a position or am associated with the QTS Franchised Business and/or Franchisee.

F. Irreparable Harm to QTS System and/or Franchisee. I understand and agree that any breach of this Agreement shall cause irreparable harm to the QTS Franchised Business and/or Franchisee and, therefore, in the event of a breach or threatened breach of the provisions of this Confidentiality Agreement, Franchisor and/or Franchisee shall be entitled to seek an injunction restraining me from disclosing or appropriating, in whole or in part, any Trade Secrets or other confidential information, or from rendering any services to any person, corporation, or other entity to whom such Trade Secrets or other confidential information, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein shall be construed as prohibiting Franchisor and/or Franchisee from pursuing any other remedies available for such breach or threatened breach, including the recovery of damages.

By my signature hereof, I hereby agree to abide by the provisions of this Agreement.

Dated: ___________

____
Signature

____
Print Name

EXHIBIT D

STATE REGULATIONS WHICH SUPERSEDE AGREEMENT

STATE FRANCHISE REGULATIONS WHICH SUPERSEDE OR MODIFY TERMS AND CONDITIONS OF THE FRANCHISE AGREEMENT

CALIFORNIA RESIDENTS

California limits the enforceability of post-termination and non-compete provisions. Consequently, the non-solicitation requirements of Section 14.6 may not be enforceable in the State of California.

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

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

The Franchise Agreement requires binding arbitration of disputes. The arbitration proceeding will take place in the county in California in which Tom McVey 2004 Quality Tune-up Shops, LLC maintains its principal office (currently Placer County). Each party will bear their own costs of any such proceeding. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281 and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Our Website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of our Website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

The Franchise Agreement contains a liquidated damages clause in the event of abandonment of the franchise. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

§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.

EXHIBIT E

PERSONAL GUARANTEE

FRANCHISE GUARANTY AGREEMENT

FOR VALUE RECEIVED, and in consideration for, and as an inducement to Franchisor's entering into a Quality Tune-Up Shops Franchise Agreement, dated __________ (the "Franchise Agreement") by and between The Tom McVey 2004 Quality Tune-Up Shops, LLC ("Franchisor") and _________________________ a California corporation ("Franchisee"), each of the undersigned representing all of the owners of Franchisee, personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, that the Franchisee named in the

Franchise Agreement will perform each and every covenant, payment, agreement and undertaking on the part of Franchisee contained and set forth in such Franchise Agreement; (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including, without limitation, the non-competition, confidentiality, transfer, and arbitration requirements; and (c) guarantees to Franchisor payment and satisfaction of any claim which Franchisor may have against Franchisee for damages resulting from a violation of any covenant or condition in the Franchise Agreement, including, but not limited to, the covenant not to compete, unfair competition as defined under California unfair competition laws, arising out of Franchisee's activities during the course of, in connection with, or upon the termination of the Franchise Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right he or she may require that an action be brought against Franchisee or any other person as a condition of liability. Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this guaranty shall be joint and several; (2) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refused timely to do so; (3) liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement and any renewal, extension, modification or amendment thereof, or as to any assignment or other transfer of Franchisee’s interests in the Franchise Agreement.

At the option of Franchisor, the undersigned Guarantors may be joined in any action or proceeding commenced by Franchisor against Franchisee in connection with or based upon the Franchise Agreement or any provision thereof, and that recovery may be had against the undersigned Guarantors in any such action or proceeding, or in any independent action or proceeding against the undersigned Guarantors, without any requirement that Franchisor or its respective successors or assigns first assert, prosecute or exhaust any remedy or claim against Franchisee, its successors or assigns; such that the liability of the undersigned Guarantors hereunder shall be deemed primary.

Each of the undersigned Guarantors represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

Each of the undersigned Guarantors consents and agrees that:

(a) Guarantor’s liability under this Agreement shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and the other guarantors of Franchisee.

(b) Guarantor shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so;

(c) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Franchise Agreement by a trustee of Franchisee. Neither the Guarantor’s obligations to make payment or render performance in accordance with the terms of this Agreement nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency;

(d) Franchisor may proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Franchisee. Guarantor waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed; and

(e) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this Agreement or any negotiations relative to the obligations hereby guaranteed or in enforcing this Agreement against Guarantor.

(f) This Guarantee shall survive the termination of, expiration or cancellation of the Franchise Agreement.

(g) This Guarantee shall be governed by and construed according to the internal, substantive laws of the state of California.

___________________________________ Dated:______________________
Signature of Guarantor

____
Printed Name of Guarantor

___________________________________ Dated:______________________
Signature of Guarantor’s Spouse

____
Printed Name of Guarantor’s Spouse

___________________________________ Dated:______________________
Signature of Guarantor

____
Printed Name of Guarantor

___________________________________ Dated:______________________
Signature of Guarantor’s Spouse

____
Printed Name of Guarantor’s Spouse

EXHIBIT 3
OPERATIONS MANUAL
TABLE OF CONTENTS

CONTENTS

NOTE: The Contents page shows headings down to three levels to allow easy access to all major topics in manual. While viewing the manual online, you can click any Contents page to display the corresponding topic.

EXHIBIT 4

CALIFORNIA STATE ADDENDUM

CALIFORNIA STATE ADDENDUM

2021

CALIFORNIA RESIDENTS

California limits the enforceability of post-termination and non-compete provisions. Consequently, the non-solicitation requirements of Section 14.6 may not be enforceable in the State of California.

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

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

The Franchise Agreement requires binding arbitration of disputes. The arbitration proceeding will take place in the county in California in which Tom McVey 2004 Quality Tune-up Shops, LLC maintains its principal office (currently Placer County). Each party will bear their own costs of any such proceeding. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281 and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

Our Website has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of our Website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

The Franchise Agreement contains a liquidated damages clause in the event of abandonment of the franchise. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the Franchise Disclosure Document.

Neither the franchisor nor any person or franchise broker in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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

The highest applicable interest rate in California is 10%.

The Department of Financial Protecting and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

EXHIBIT 5
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 2021 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.

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 2021 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.