



Independent Auditor's Report

To the Board of Directors
AAMCO Transmissions, Inc.
Horsham, Pennsylvania

We have audited the accompanying consolidated balance sheets of AAMCO Transmissions, Inc. and Subsidiaries as of December 31, 2011, January 1, 2011 and January 2, 2010, and the related consolidated statements of operations, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AAMCO Transmissions, Inc. and Subsidiaries as of December 31, 2011, January 1, 2011 and January 2, 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Blue Bell, Pennsylvania
April 11, 2012

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Consolidated Balance Sheets
December 31, 2011, January 1, 2011 and January 2, 2010

	2011	2010	2009
Assets			
Current Assets			
Cash	\$ 150,727	\$ 420,552	\$ 1,271,687
Notes and accounts receivable, net of allowance for uncollectible accounts of \$4,988,269 at December 31, 2011 \$3,552,588 at January 1, 2011 and \$2,860,911 at January 2, 2010	18,062,071	16,046,705	14,919,835
Supplies	701,926	448,374	449,864
Prepaid expenses and other	471,633	606,863	680,880
Total current assets	19,386,357	17,522,494	17,322,266
Notes and Accounts Receivable, noncurrent, net of allowance for uncollectible accounts of \$483,035 at December 31, 2011 \$418,035 at January 1, 2011 and \$158,035 at January 2, 2010	3,854,307	1,524,526	1,592,654
Intangible Asset, net of accumulated amortization of \$54,901,980 at December 31, 2011, \$45,521,832 at January 1, 2011 and \$36,235,656 at January 2, 2010	64,294,609	73,674,757	82,960,933
Due from Parent Company and Affiliate	67,938,373	64,520,533	65,798,316
Equipment, net	1,058,554	662,525	345,136
Other Assets	3,392,074	3,432,410	3,646,462
	\$ 159,924,274	\$ 161,337,244	\$ 171,665,767
Liabilities and Shareholder's Equity			
Current Liabilities			
Current maturities of long-term debt	\$ 495,750	\$ 984,000	\$ 2,086,500
Accounts payable and accrued expenses	6,751,298	4,327,713	3,658,346
Deferred income	1,211,328	1,053,133	1,306,134
Security deposits	1,877,467	1,748,201	1,825,597
Total current liabilities	10,335,843	8,113,047	8,876,577
Long-Term Liabilities			
Line of credit facility	1,500,000	1,057,600	2,360,000
Long-term debt, net of current portion	51,154,250	55,183,000	63,913,500
Subordinated notes	43,643,173	42,980,478	42,328,941
Deferred income, net of current portion	260,268	269,103	274,913
Total long-term liabilities	96,557,691	99,490,081	108,877,354
Total liabilities	106,893,534	107,603,128	117,753,931
Commitments and Contingencies (Notes 5 and 6)			
Shareholder's Equity			
Common Stock, authorized 3,000 shares at \$1 par value; issued and outstanding, 2,617 shares	2,617	2,617	2,617
Additional paid-in capital	58,476,383	58,476,383	58,476,383
Accumulated deficit	(5,448,260)	(4,744,884)	(4,567,164)
	53,030,740	53,734,116	53,911,836
	\$ 159,924,274	\$ 161,337,244	\$ 171,665,767

See Notes to Consolidated Financial Statements.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Consolidated Statements of Operations
 Years Ended December 31, 2011, January 1, 2011 and January 2, 2010

	2011	2010	2009
Revenues			
Service fees	\$ 27,757,288	\$ 27,582,769	\$ 28,133,074
Sales of equipment and supplies	3,276,562	2,530,325	2,782,070
License and training fees	2,213,197	1,463,748	1,500,312
Advertising revenues	-	5,660	41,700
Other	4,203,638	2,736,497	2,117,666
Total revenues	<u>37,450,685</u>	<u>34,318,999</u>	<u>34,574,822</u>
Operating expenses			
Cost of advertising media	-	4,923	35,324
Cost of sales	2,223,036	1,658,670	1,654,623
Selling, general and administrative	16,669,517	13,813,272	13,100,719
Total operating expenses	<u>18,892,553</u>	<u>15,476,865</u>	<u>14,790,666</u>
Income from operations before depreciation, amortization and related party fees and expenses	<u>18,558,132</u>	<u>18,842,134</u>	<u>19,784,156</u>
Other operating expenses			
Depreciation and amortization	10,198,419	10,012,704	10,655,224
Related party fees and expenses	994,895	889,050	916,369
Total other operating expenses	<u>11,193,314</u>	<u>10,901,754</u>	<u>11,571,593</u>
Income from operations	<u>7,364,818</u>	<u>7,940,380</u>	<u>8,212,563</u>
Other income (expenses)			
Interest income	8,503	882	262
Interest expense	(7,975,091)	(7,467,687)	(8,097,778)
Miscellaneous expense	(80,606)	(655,285)	(765,894)
Total other expenses	<u>(8,047,194)</u>	<u>(8,122,100)</u>	<u>(8,863,410)</u>
Loss before income tax benefit	<u>(682,376)</u>	<u>(181,720)</u>	<u>(650,847)</u>
Income tax (expense) benefit	<u>(21,000)</u>	<u>4,000</u>	<u>227,000</u>
Net loss	<u>\$ (703,376)</u>	<u>\$ (177,720)</u>	<u>\$ (423,847)</u>

See Notes to Consolidated Financial Statements.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Consolidated Statements of Shareholder's Equity
 Years Ended December 31, 2011, January 1, 2011 and January 2, 2010

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholder's Equity
	Shares	Amount			
Balance as of December 27, 2008	2,617	\$ 2,617	\$ 58,476,383	\$ (4,143,317)	\$ 54,335,683
Net loss	-	-	-	(423,847)	(423,847)
Balance as of January 2, 2010	2,617	2,617	58,476,383	(4,567,164)	53,911,836
Net loss	-	-	-	(177,720)	(177,720)
Balance as of January 1, 2011	2,617	2,617	58,476,383	(4,744,884)	53,734,116
Net loss	-	-	-	(703,376)	(703,376)
Balance as of December 31, 2011	2,617	\$ 2,617	\$ 58,476,383	\$ (5,448,260)	\$ 53,030,740

See Notes to Consolidated Financial Statements.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
 Years Ended December 31, 2011, January 1, 2011 and January 2, 2010

	2011	2010	2009
Cash Flows from Operating Activities			
Net loss	\$ (703,376)	\$ (177,720)	\$ (423,847)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	10,198,419	10,012,704	10,655,224
Deferred income tax (benefit) expense	21,000	(4,000)	(227,000)
Changes in assets and liabilities:			
(Increase) decrease:			
Notes and accounts receivable	(4,345,148)	(1,058,741)	(3,806,820)
Supplies	(253,552)	1,490	29,447
Prepaid expenses and other	135,230	74,017	20,936
Other assets	19,336	218,052	(453,904)
Increase (decrease):			
Accounts payable and accrued expenses	2,423,585	669,367	(55,876)
Deferred income	149,360	(258,811)	(264,451)
Security deposits	129,266	(77,396)	(97,898)
Net cash provided by operating activities	<u>7,774,120</u>	<u>9,398,962</u>	<u>5,375,811</u>
Cash Flows from Investing Activities			
Due from parent company and affiliate	(7,355,706)	(9,678,482)	(4,357,657)
Purchases of equipment	(688,239)	(571,615)	(288,722)
Net cash used in investing activities	<u>(8,043,945)</u>	<u>(10,250,097)</u>	<u>(4,646,379)</u>
Net increase (decrease) in cash	(269,825)	(851,135)	729,432
Cash, beginning	420,552	1,271,687	542,255
Cash, ending	<u>\$ 150,727</u>	<u>\$ 420,552</u>	<u>\$ 1,271,687</u>
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for interest	<u>\$ 7,324,000</u>	<u>\$ 7,034,000</u>	<u>\$ 7,981,000</u>

See Notes to Consolidated Financial Statements.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Description of Business

Description of Business: AAMCO Transmissions, Inc. (the "Company" or "AAMCO") franchises automotive transmission and general repair centers throughout the United States and Canada to which they also sell equipment and supplies. On March 7, 2006, American Driveline Systems, Inc. ("ADS") acquired the stock of the Company. ADS is also the parent company of Cottman Transmissions Holdings, LLC and its subsidiaries ("Cottman"). In connection with this acquisition, the accounts of the Company have been adjusted using the push down basis of accounting to recognize the allocation of the consideration paid for the common stock to the respective net assets acquired. Subsequent to the AAMCO acquisition, certain existing Cottman franchisees have converted to operating under the name AAMCO Transmissions for the remainder of their franchise term and the Company has received an assignment of the franchisee's franchise agreement with Cottman or has entered into a new franchise agreement with the franchisee.

Note 2. Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of AAMCO Transmissions, Inc. and its wholly-owned subsidiaries, Accel Advertising, Inc. ("Accel Advertising") and AAMCO Canada, Inc. All significant intercompany balances and transactions have been eliminated in consolidation. AAMCO Transmissions, Inc. is a wholly-owned subsidiary of ADS.

In 2009, AAMCO Canada, Inc. was incorporated as a wholly-owned subsidiary of AAMCO Transmissions, Inc. AAMCO Canada, Inc. provides certain operational assistance to AAMCO franchises located within Canada and all of its Provinces and Territories ("Territory") and, pursuant to a Trademark License Agreement, has been granted a non-exclusive, non-transferable indivisible license to use the AAMCO licensed marks within the Territory.

Revenue Recognition: The Company recognizes revenue as follows:

Service Fees: The Company's operations include the licensing of franchises in North America under the name of AAMCO Transmissions and Total Car Care to franchisees for fifteen-year renewable terms. Under the franchise contract, the Company may, among other things, assist in site locations, assist in obtaining financing, provide training to the franchisee and operational services and supplies. Weekly franchise royalty fees are payable by the franchisees based on a percentage of their weekly receipts and recognized by the Company during the period in which the income is earned. Costs associated with franchise operations are expensed as incurred.

Initial License and Training Fees: The Company recognizes initial license and training fees at the time all significant services to be provided by the Company necessary to establish the franchise have been performed.

Other Revenue: The Company recognizes commission and other revenue, such as royalties, during the period in which the income is earned. Advertising fees are collected from certain franchisees who have elected to have advertisements placed by the Company's subsidiary Accel Advertising. These advertising fees are initially reflected as deferred income. As advertisements are placed, the related amounts are recorded as operating revenues to be matched with the expenditures. The costs of advertising are expensed as they are incurred.

Fiscal Year: The Company has adopted a fifty-two or fifty-three week year ending on the Saturday closest to December 31. Fiscal 2011 and fiscal 2010 each contained fifty-two weeks and fiscal 2009 contained fifty-three weeks. The fifty-third week is added to the fiscal calendar every six years to balance the fiscal years.

Cash: Cash consists of deposits with financial institutions. These balances are insured by the Federal Deposit Insurance Corporation. The Company considers all highly liquid debt instruments with a maturity period of three months or less to be cash equivalents.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Notes and Accounts Receivable: Notes receivable are stated at the gross amount of the payment due, reduced by an allowance for uncollectible accounts. Accounts receivable consist principally of amounts invoiced for equipment, supplies and weekly franchise fees and are less an estimate made for uncollectible receivables based on a review of all outstanding amounts on a monthly basis. For trade receivables, the Company generally does not require collateral from its franchisees. An allowance for uncollectible accounts is established, when necessary, through charges to earnings in the form of a charge to bad debt expense. Notes and accounts that are determined to be uncollectible are charged against the allowance and may require the Company to recognize additions or reductions to management's determination of the allowance for uncollectible accounts in the near term. Notes and accounts receivable are considered past due when not paid within their contractual terms.

Supplies: Supplies consist of equipment and merchandise which are sold to franchisees and are stated at the lower of cost, determined by the actual average cost, or market.

Equipment and Depreciation: Equipment is carried at cost. Depreciation is computed principally on the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years. Depreciation of property and equipment was \$292,000 in 2011, \$254,000 in 2010 and \$249,000 in 2009.

Deferred Financing Costs: Deferred financing costs consist of the costs related to the issuance of debt and are amortized using the interest method over the period of the related term loans. During 2011, 2010 and 2009, the Company was allocated approximately, \$526,000, \$473,000 and \$468,000, respectively, of amortization relating to financing fees for a loan agreement entered into in 2006 and amended in December 2007 collectively by the Company, Cottman and ADS (Note 3).

Intangible Assets: Intangible assets consist of franchisee license agreements and are being amortized over the remaining contract terms. These license agreements expire at various times through 2021. Amortization of intangible assets amounted to, \$9,380,000 in 2011, \$9,286,000 in 2010 and \$9,938,000 in 2009. In connection with the conversion of certain Cottman franchises to AAMCO franchises during 2006 (Note 1), intangible assets with a net book value of approximately \$7,306,000 were transferred to the Company from Cottman for consideration equal to such net book value. In addition, AAMCO has agreed to pay certain fees to Cottman on sales generated by converting franchisees during the remaining term of the franchisee's pre-conversion franchise agreement. AAMCO will also pay additional compensation tied to the aggregate volume of converted franchisee locations. In 2011, 2010 and 2009, approximately \$931,000, \$1,061,000 and \$1,173,000, respectively, of fees were recorded pursuant to this fee agreement.

Estimated annual amortization expense on acquired intangible assets at December 31, 2011 is as follows:

Years Ending	
2012	\$ 9,244,000
2013	9,008,000
2014	8,813,000
2015	8,229,000
2016	7,889,000

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses, line of credit and long-term debt. The carrying value of cash and cash equivalents, accounts and notes receivable and accounts payable and accrued expenses approximate their fair value because of their short-term nature. The carrying amount of the line of credit approximates fair value because the interest rates fluctuate with market interest rates. The carrying amount of long-term debt approximates their fair value based on the current rates available to the Company for similar instruments.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Income Taxes: The Company files as part of a consolidated tax return and all tax amounts that are included in this financial statement were calculated as if the Company filed a separate Company tax return.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Realization of deferred tax assets is dependent on generating sufficient taxable income in the future.

The Company follows the guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state or local income tax authorities for years before 2008.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate relates to allowances for doubtful accounts and notes receivable and the realization of deferred tax assets.

Concentration of Credit Risk: The Company is subject to credit risk through notes and other receivables. Credit risk with respect to notes and other receivables is minimized because of the large number of franchises and their geographic dispersion.

Impairment of Long-Lived Assets: The Company reviews long-lived assets, including equipment and definite lived intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when undiscounted future cash flows expected to result from the use of the assets and its eventual disposition is less than the carrying amount. Impairment, if any, is assessed using discounted cash flows. No impairments have occurred to date.

Subsequent Events: The Company has evaluated its subsequent events (events occurring after December 31, 2011) through April 11, 2012 which represents the date the financial statements were issued, and determined that there were no material subsequent events requiring adjustment to, or disclosure in, the consolidated financial statements for the year ended December 31, 2011.

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to the current year presentation with no impact on net income or retained earnings.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-05, which relates to the presentation of comprehensive income that eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. This guidance is effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The Company is currently evaluating which presentation option it will utilize for comprehensive income in its consolidated financial statements. The adoption of this guidance will not impact the Company's financial position, results of operations or cash flows and will only impact the presentation of other comprehensive income in the financial statements.

In December 2011, the FASB issued ASU 2011-12, which amends ASU 2011-05 to reflect only those changes that relate to the presentation of reclassification adjustments. The amendments are being made to allow the FASB time to re-deliberate whether to present on the face of the financial statements the effects of the reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the FASB is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05.

Note 3. Long-Term Debt and Line of Credit

On August 9, 2006, the Company, collectively with ADS and Cottman (collectively the "Borrowers") entered into a loan agreement (the "Loan Agreement") with certain financial institutions and institutional lenders which provided the Borrowers with an aggregate credit facility of \$76,600,000 which consisted of a \$5,000,000 revolving loan commitment and a \$71,600,000 term loan. Contemporaneously with the execution of the Loan Agreement, the Borrowers sold \$20,100,000 aggregate principal amount of Senior Secured Subordinated Notes (the "Senior Debt") and \$20,092,000 aggregate principal amount of Junior Secured Subordinated Notes (the "Junior Debt") (the "Note Agreement") to certain purchasers, including American Capital Strategies ("ACAS"), a majority shareholder of ADS. The proceeds from the Loan Agreement and the Note Agreement were used to (i) refinance certain existing indebtedness including the credit facility entered into on March 8, 2006 to facilitate the acquisition of the Company's stock, as well as certain indebtedness incurred by ADS in its acquisition of Cottman in March 2004, (ii) provide for a one-time distribution to the holders of equity interests in ADS, (iii) provide for ongoing working capital needs and (iv) pay certain fees and expenses.

On December 19, 2007, the Company amended the Loan Agreement to increase the amount of the term loan commitment by \$24,329,000 (the "Loan Amendment"). The proceeds from the Loan Amendment were used to (i) provide a distribution to the holders of common equity interests in the Company, (ii) provide a distribution to the holders of preferred equity interests in the Company and, (iii) pay certain fees and expenses.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Long-Term Debt and Line of Credit (Continued)

At December 31, 2011, January 1, 2011 and January 2, 2010, debt consisted of the following:

	2011	2010	2009
Subordinated notes	\$ 43,643,173	\$ 42,980,478	\$ 42,328,941
Term loan	\$ 51,650,000	\$ 56,167,000	\$ 66,000,000
Less: current maturities	495,750	984,000	2,086,500
	\$ 51,154,250	\$ 55,183,000	\$ 63,913,500
Line of credit	\$ 1,500,000	\$ 1,057,500	\$ 2,360,000

The Company, ADS and Cottman are jointly and severally liable as Borrowers under the Loan Agreement and Note Agreement and all outstanding liabilities are allocated to each Borrower in their entirety. During 2011, 2010 and 2009, the Company has been allocated certain fees and expenses (interest expense of \$7,965,000 in 2011, \$7,466,000 in 2010 and \$8,114,000 in 2009 and amortization of deferred financing fees of \$526,000 in 2011, \$473,000 in 2010 and \$468,000 in 2009) related to the aggregate debt between these entities.

Credit Facility: In connection with the August 9, 2006 refinancing, the Borrowers entered into the Loan Agreement and on December 19, 2007 entered into the Loan Amendment.

Term Loan: An initial aggregate amount of \$71,600,000 and an additional term loan commitment amount of \$24,329,000 bearing interest at either LIBOR or Base Rate plus an applicable margin based on certain tiers tied to the Borrower's senior leverage ratio as such terms are defined in the Loan Agreement and Loan Amendment (LIBOR plus 3.50%, adjusted quarterly, which was 3.90% at December 31, 2011).

Line of Credit: The Borrowers have a \$5,000,000 revolving line of credit available. The Borrowers are required to pay an annual revolving loan commitment fee of 0.5% of the unused line of credit. Outstanding borrowings bear interest at Base Rate plus an applicable margin or LIBOR plus an applicable margin based on the Borrowers' senior leverage ratio as defined in the Loan Agreement and the Loan Amendment (Prime plus 2.00%, which was 5.25% at December 31, 2011). At December 31, 2011, January 1, 2011 and January 2, 2010, there were outstanding borrowings of \$1,500,000, \$1,057,500 and \$2,360,000, respectively, under this facility.

The Loan Agreement and Loan Amendment provide that the Borrowers must comply with various covenants. The most restrictive of such covenants requires the Borrowers to maintain certain financial ratios and not to redeem outstanding shares of capital stock and not make any optional prepayment with respect to principal of the subordinated notes. In addition, the Agreement requires the Borrowers to make principal prepayments on the term note based on excess cash flow as defined in the Loan Agreement and Loan Amendment. Under the new loan agreement entered into on February 17, 2012, no excess cash flow payment will be required in 2012. Based on 2010's excess cash flow calculation, an additional principal prepayment of \$925,889 was required and paid in 2011. Based on 2009's excess cash flow calculation, an additional principal payment of \$2,217,390 was required and paid in 2010. The Loan Agreement and Loan Amendment allows for payment of dividends to the shareholders under certain circumstances. The Agreement provides that the loans may be accelerated due to a material adverse effect to the business.

The Loan Agreement and Loan Amendment allow for the Borrowers to make optional principal prepayments of the term loans. During 2011, 2010 and 2009, the Borrowers made optional principal prepayments of \$3,591,111, \$7,472,110 and \$3,557,634, respectively. The term loan is collateralized by the Borrowers' capital stock and substantially all assets of the Borrowers. A lender for a portion of the term loan and a portion of the line of credit is a minority shareholder of ADS.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Long-Term Debt and Line of Credit (Continued)

Subordinated Notes: The Borrowers issued subordinated notes to ACAS aggregating \$40,192,000. Interest at 12% per annum for the Senior Debt of \$20,100,000 and 13% per annum for the Junior Debt of \$20,092,000 is payable monthly. Additional interest of 1% and 2%, respectively, is accrued and added to the outstanding principal of the Senior Debt and Junior Debt, respectively, on a monthly basis. Senior Debt is payable in full on December 19, 2014. Junior Debt is payable in full on December 19, 2015. In addition, the Borrowers are required to comply with various financial covenants. The subordinated notes are collateralized by a second priority lien on the Borrowers' capital stock and substantially all assets of the Borrowers.

On February 17, 2012, the Borrowers entered into a new loan agreement (the "New Loan Agreement") with certain financial institutions and institutional lenders which provided the Borrowers with an aggregate credit facility of \$76,100,000 which consisted of a \$10,000,000 revolving loan commitment and a \$66,100,000 term loan. Contemporaneously with the execution of the New Loan Agreement, the Borrowers rolled over \$35,200,000 of the Senior Debt and Junior Debt subject to the Note Agreement. The proceeds from the New Loan Agreement were used to (i) refinance certain existing indebtedness including the Company's existing Term Loan Line of Credit, Senior Debt and Junior Debt, (ii) repay a portion of the Company's existing Senior Debt and Junior Debt and (iii) pay certain fees and expenses. The revolving loan commitment and term loan bear interest at either Base Rate plus 4.50% or LIBOR plus 5.50% and mature on January 31, 2016. The term loan is due in quarterly installments of \$165,250 commencing on June 30, 2012 through the maturity date, at which point all unpaid principal and interest are due.

Maturities of Long-Term Debt: As of December 31, 2011, annual maturities of the term loan and subordinated notes are as follows:

Years Ending	
2012	\$ 495,750
2013	661,000
2014	21,891,202
2015	23,073,971
2016	49,171,250
	<u>\$ 95,293,173</u>

Note 4. Related Party Transactions

The Company shares certain services with ADS and Coltman, including services rendered by related parties, and has both allocated and been allocated certain fees and expenses related to these services.

ADS has an investment banking services agreement with an affiliate of ACAS which provides for an annual management fee of \$825,000 effective March 7, 2006, a portion of which is allocated to the Company. Additionally, the Company pays the lenders an annual agency fee of \$100,000. In addition, the Company reimburses shareholders' expenses incurred on behalf of the Company. The investment banking services agreement remains in effect as long as ACAS has an investment in any of the ADS debt or equity securities. At December 31, 2011, January 1, 2011 and January 2, 2010, the Company's allocations of the fees due under the agreement were \$1,567,500, \$703,725 and \$174,487, respectively.

Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Related Party Transactions (Continued)

The Company has been allocated their share of these charges, which are reflected as related party fees and expenses in the accompanying statement of operations. These charges consisted of the following:

	2011	2010	2009
Management service fee	\$ 783,750	\$ 703,725	\$ 697,950
Other management service expenses	211,145	185,325	218,419
	<u>\$ 994,895</u>	<u>\$ 889,050</u>	<u>\$ 916,369</u>

As of December 31, 2011 and January 1, 2011, the Company had a payable to the AAMCO National Creative Committee ("NCC") of approximately \$1,127,000 and \$488,000, respectively, which is included in "accounts payable and accrued expenses" in the accompanying balance sheet. As of January 2, 2010, the Company had a non-interest bearing loan to NCC of approximately \$216,000 which is included in "other assets" in the accompanying balance sheet. NCC develops and creates advertising for the Company's franchisees. NCC is composed of all AAMCO franchisees, governed by twelve franchisees and three members of the Company's management. In 2011 and 2010, collections from participating franchisees exceeded loans from AAMCO. The loans to the NCC in 2009 were repaid to the Company from the collection of charges assessed to the franchisees for advertising costs. The franchisees are currently assessed a monthly charge of \$150.

In addition, AAMCO has agreed to pay certain fees to Cottman on revenues generated by converted franchisees during the remaining term of the franchisee's pre-conversion franchise agreement. AAMCO will pay additional compensation tied to the aggregate volume of converted franchisee locations. In 2011, 2010 and 2009, \$931,000, \$1,061,000 and \$1,173,000, respectively, of fees were recorded pursuant to this fee agreement.

Certain Company employees participate in an ADS stock option plan. During 2011, 2010 and 2009, the Company was allocated \$65,000, \$99,000 and \$(157,000), respectively, of compensation expense for its share of ADS's stock compensation plan.

Note 5. Commitments and Contingencies

Leasing Arrangements: The Company leases certain real property, equipment and automobiles under operating leases expiring through 2016. Future minimum lease payments for the ensuing fiscal years are as follows:

Years Ending	
2012	\$ 82,000
2013	18,000
2014	13,000
2015	14,000
2016	10,000

In addition, the Company shares certain office space and equipment under ADS and Cottman leasing arrangements and the Company has been allocated \$563,000, \$557,000, and \$553,000 in rent expense related to these leasing arrangements in 2011, 2010 and 2009, respectively. The Company incurred rent expense of \$888,000 in 2011, \$861,000 in 2010 and \$863,000 in 2009 relating to all leasing arrangements.

Exhibit 1

AAMCO Transmissions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Commitments and Contingencies (Continued)

401(k) Plan: The Company has a 401(k) retirement plan (the "Plan") covering substantially all employees. The Plan provides for a discretionary employer matching contribution. Matching contribution expense amounted to approximately \$0- in 2011, \$2,000 in 2010 and \$11,000 in 2009.

Litigation and Contingencies: The Company is a defendant in various legal matters and other claims arising in the normal course of business. In the opinion of management, the ultimate disposition of such matters (to the extent not provided for by insurance or otherwise) will not have a material adverse effect upon the Company's financial position, results of operations and cash flows.

Note 6. Shareholder's Equity

Common Stock and Redeemable Preferred Stock: Contemporaneously with the March 7, 2006 acquisition of AAMCO, ADS issued 484,800 shares of redeemable preferred stock and 155,735 shares of common stock, \$0.001 par value for net collective proceeds of \$58,476,000. In accordance with push down accounting, these proceeds have been reflected as additional paid-in capital.

Note 7. Income Taxes

The income tax benefit for 2011, 2010 and 2009 consisted of the following:

	2011	2010	2009
Current income tax expense	\$ -	\$ -	\$ -
Deferred tax benefit	(21,000)	4,000	227,000
Income tax benefit	\$ (21,000)	\$ 4,000	\$ 227,000

The Company recorded no current federal income tax expense in 2011, 2010 and 2009 due to utilization of net operating loss carryforwards or incurring net operating losses.

The net deferred tax asset, which is included in "other assets" in the accompanying balance sheet, at December 31, 2011, January 1, 2011 and January 2, 2010, consisted of:

	2011	2010	2009
Deferred tax asset	\$ 3,070,000	\$ 3,091,000	\$ 3,087,000
Deferred tax liability	-	-	-
Net deferred tax asset	\$ 3,070,000	\$ 3,091,000	\$ 3,087,000

The tax effect of major temporary differences that gave rise to the Company's net deferred tax asset are as follows:

	2011	2010	2009
Net operating loss carryforward	\$ -	\$ -	\$ -
Amortization - intangible asset	3,160,000	3,600,000	2,877,000
Depreciation and other	(90,000)	(509,000)	210,000
	\$ 3,070,000	\$ 3,091,000	\$ 3,087,000

At December 31, 2011, the Company has no net federal operating loss carryforwards available.