



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AAMCO Transmissions, Inc. and Subsidiaries which comprise the consolidated balance sheets as of December 29, 2012, December 31, 2011 and January 1, 2011 and the related consolidated statements of operations, shareholder's equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## Exhibit I

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position AAMCO Transmissions, Inc. and Subsidiaries as of December 29, 2012, December 31, 2011 and January 1, 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of matter

As discussed in Note 3 to the consolidated financial statements, AAMCO Transmissions, Inc. and Subsidiaries have elected to change their method of accounting for revenue recognition, notes and accounts receivable, supplies, prepaid expenses, other assets, and current liabilities in 2012, 2011 and 2010. Our opinion is not modified with respect to this matter.

*McGladrey LLP*

Blue Bell, Pennsylvania  
November 13, 2013

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Consolidated Balance Sheets

December 29, 2012, December 31, 2011 and January 1, 2011

	2012	2011	2010
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 50,362	\$ 150,727	\$ 420,552
Accounts receivable, net of allowance for uncollectible accounts of \$7,346,146 at December 29, 2012 \$12,985,923 at December 31, 2011 and \$10,144,758 at January 1, 2011	2,674,164	5,687,458	6,719,202
Notes receivable, net of allowance for uncollectible accounts of \$3,847,736 at December 29, 2012, \$1,668,346 at December 31, 2011 and \$1,009,830 at January 1, 2011	1,060,568	2,728,613	1,725,884
Supplies	197,385	394,106	253,647
Prepaid expenses and other	126,825	247,151	421,765
<b>Total current assets</b>	<b>4,109,304</b>	<b>9,208,055</b>	<b>9,541,050</b>
Notes Receivable, noncurrent, net of allowance for uncollectible accounts of \$0 at December 29, 2012 \$483,035 at December 31, 2011 and \$418,035 at January 1, 2011	3,310,782	3,854,307	1,524,525
Intangible Asset, net of accumulated amortization of \$61,915,937 at December 29, 2012, \$54,901,980 at December 31, 2011 and \$45,521,832 at January 1, 2011	57,280,652	64,294,609	73,674,757
Equipment, net	1,490,898	995,084	660,209
Deferred Tax Asset	-	6,303,922	4,150,664
Other Assets	229,402	286,295	274,862
	<b>\$ 66,421,038</b>	<b>\$ 84,942,272</b>	<b>\$ 89,826,067</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Current Liabilities</b>			
Notes payable	\$ 238,860	\$ -	\$ -
Accounts payable and accrued expenses	6,432,891	6,392,114	3,957,195
Deferred Income	626,074	1,242,828	1,053,133
<b>Total current liabilities</b>	<b>7,295,825</b>	<b>7,634,942</b>	<b>5,010,328</b>
<b>Long-Term Liabilities</b>			
Notes payable, non-current	757,028	-	-
Due to parent company and affiliates	21,659,333	28,854,800	35,684,445
Deferred Income, net of current portion	-	260,268	269,103
Security deposits	2,056,777	1,783,977	1,654,711
Other long-term liabilities	1,100,000	-	-
<b>Total long-term liabilities</b>	<b>25,573,138</b>	<b>30,899,045</b>	<b>37,608,259</b>
<b>Total liabilities</b>	<b>32,868,963</b>	<b>38,533,987</b>	<b>42,618,587</b>
<b>Commitments and Contingencies (Note 5)</b>			
<b>Shareholder's Equity</b>			
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	(24,926,925)	(12,070,715)	(11,271,520)
	<b>33,552,075</b>	<b>46,408,285</b>	<b>47,207,480</b>
	<b>\$ 66,421,038</b>	<b>\$ 84,942,272</b>	<b>\$ 89,826,067</b>

See Notes to Consolidated Financial Statements.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Consolidated Statements of Operations

Years Ended December 29, 2012, December 31, 2011 and January 1, 2011

	2012	2011	2010
<b>Revenues</b>			
Service fees	\$ 26,393,610	\$ 27,757,288	\$ 27,582,769
Sales of equipment and supplies	1,151,622	3,276,562	2,530,325
License and training fees	1,357,140	2,181,697	1,463,748
Advertising revenues	-	-	5,660
Other	2,415,070	3,971,078	2,736,497
<b>Total revenues</b>	<b>31,317,442</b>	<b>37,186,625</b>	<b>34,318,999</b>
<b>Expenses</b>			
Operating expenses	-	-	4,923
Cost of advertising media	1,444,854	2,336,129	1,667,124
Cost of sales	20,028,031	18,557,841	15,081,547
Selling, general and administrative	21,472,885	20,893,970	16,753,594
<b>Total operating expenses</b>			
Income from operations before depreciation, amortization and related party fees and expenses	9,844,557	16,292,655	17,565,405
Other operating expenses	8,215,658	10,203,019	10,012,704
Depreciation and amortization	701,848	994,895	889,050
Related party fees and expenses	8,917,506	11,197,914	10,901,754
<b>Total other operating expenses</b>			
Income from operations	927,051	5,094,741	6,663,651
Other income (expenses)	-	8,503	882
Interest income	(7,280,636)	(7,975,091)	(7,467,687)
Interest expense	(198,703)	(80,606)	(655,295)
Miscellaneous expense	(7,479,339)	(8,047,194)	(8,122,100)
<b>Total other expenses</b>			
Loss before income tax benefit (expense)	(6,552,288)	(2,952,453)	(1,458,449)
Income tax benefit (expense), net	(6,303,922)	2,153,258	1,063,664
<b>Net loss</b>	<b>\$ (12,856,210)</b>	<b>\$ (799,195)</b>	<b>\$ (394,785)</b>

See Notes to Consolidated Financial Statements.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Consolidated Statements of Shareholder's Equity

Years Ended December 29, 2012, December 31, 2011 and January 1, 2011

	Common Stock		Additional	Accumulated	Total
	Shares	Amount	Paid-in Capital	Deficit	Shareholder's Equity
Balance as of January 2, 2010	2,617	\$ 2,617	\$ 58,476,383	\$ (10,876,735)	\$ 47,602,265
Net loss	-	-	-	(394,785)	(394,785)
Balance as of January 1, 2011	2,617	2,617	58,476,383	(11,271,520)	47,207,480
Net loss	-	-	-	(799,195)	(799,195)
Balance as of December 31, 2011	2,617	2,617	58,476,383	(12,070,715)	46,408,285
Net loss	-	-	-	(12,856,210)	(12,856,210)
Balance as of December 29, 2012	2,617	\$ 2,617	\$ 58,476,383	\$ (24,926,925)	\$ 33,552,075

See Notes to Consolidated Financial Statements.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows

Years Ended December 29, 2012, December 31, 2011 and January 1, 2011

	2012	2011	2010
<b>Cash Flows from Operating Activities</b>			
Net loss	\$ (12,856,210)	\$ (799,195)	\$ (394,785)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	8,215,658	10,203,019	10,012,704
Provision for doubtful accounts	2,149,703	3,572,875	3,310,453
Deferred income tax (benefit) expense	6,303,922	(2,153,258)	(1,063,664)
Changes in assets and liabilities:			
(Increase) decrease:			
Notes and accounts receivable	3,075,161	(5,817,088)	(3,121,389)
Supplies	196,721	(140,459)	9,944
Prepaid expenses and other	120,326	174,614	97,994
Other assets	56,893	(11,433)	204,077
Increase (decrease):			
Accounts payable and accrued expenses	40,777	2,434,919	679,835
Deferred income	(877,022)	180,860	(258,811)
Security deposits	272,800	129,266	(77,396)
Other long-term liabilities	1,100,000	-	-
<b>Net cash provided by operating activities</b>	<b>7,798,729</b>	<b>7,774,120</b>	<b>9,398,962</b>
<b>Cash Flows from Investing Activities</b>			
Issuance of notes payable	993,888	-	-
Due to parent company and affiliates	(8,209,305)	(7,355,706)	(9,678,482)
Purchases of equipment	(683,677)	(688,239)	(571,615)
<b>Net cash used in investing activities</b>	<b>(7,899,094)</b>	<b>(8,043,945)</b>	<b>(10,250,097)</b>
<b>Net decrease in cash</b>	<b>(100,365)</b>	<b>(269,825)</b>	<b>(851,135)</b>
Cash, beginning	150,727	420,552	1,271,687
Cash, ending	\$ 50,362	\$ 150,727	\$ 420,552
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash paid during the year for interest	\$ 6,653,404	\$ 7,324,000	\$ 7,034,000

See Notes to Consolidated Financial Statements.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### 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 in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 952, *Franchisors* for revenue recognition as follows:

**Service Fees:** The Company's operations include the licensing of franchises primarily 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. The franchisee in accordance with the terms of the franchise agreement is obligated to pay the Company franchise fee equal to a stated percentage of the Gross Receipts of all business transacted by franchisee. The Company's policy is to recognize franchise fee as revenue when it's earned and realized or realizable and collectability is reasonably assured. 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 when all material services or conditions relating to the new franchise have been substantially performed by the Company. All material services or conditions are substantially performed by the Company upon the commencement of operations at the center by the franchisee.

**Sales of Equipment and Supplies:** The Company recognizes revenue from the sale of merchandise at the time the merchandise is sold and the product is delivered to the customer. Service revenues are recognized upon completion of the service. Service revenue consists of the labor charged for installing merchandise or maintaining or repairing vehicles, excluding the sale of any installed parts or materials. The Company records revenue net of an allowance for estimated future returns. The Company establishes reserves for sales returns and allowances based on current sales levels and historical return rates.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### Note 2. Summary of Significant Accounting Policies (Continued)

###### Revenue Recognition (Continued):

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. The Company also provides various ancillary services to the franchisee. Such services include, but are not restricted to franchisee training, toll free telephone line support, computer software, promotional items, etc. The Company's policy is to recognize fees related to the ancillary services when the services have been substantially performed and collectability is reasonably assured.

Fiscal Year: The Company has adopted a fifty-two or fifty-three week year ending on the Saturday closest to December 31. Fiscal 2012, fiscal 2011 and fiscal 2010 each contained fifty-two 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.

Notes and Accounts Receivable: Notes receivables are stated at the gross amount of the payment due, reduced by an allowance for uncollectible accounts. For notes issued at below market rates, the Company recognizes a discount at the time of issuance and accretes the discount as interest income over the life of the note. It is the Company's policy to maintain an allowance for notes receivable losses at a level considered adequate to provide for probable losses. The level of allowance is based on management's evaluation of the portfolio, which takes into account overall prevailing and anticipated business and economic conditions, note risk and the net realizable value of notes. The allowance is calculated based on the overall risk profile of the portfolio, based on historical delinquency and collection patterns. The Company periodically reviews the notes receivable and provides an allowance for probable losses on outstanding balances. Additionally, the Company periodically assesses individual notes for potential impairment. The notes receivable are generally considered impaired when it is probable that the Company will be unable to collect the contractual interest and principal payments as scheduled in the agreement. Once the notes receivable is impaired, the Company recognizes interest income on a cash basis. If the Company determines that it is likely that the notes receivable will not be collected based on financial or other franchisees business indicators, including the Company's historical experience, it is Company's policy to write off the note in the period in which it is deemed uncollectible. Recoveries of notes receivables previously written off are recorded into income when received in cash.

Accounts receivable consist principally of amounts invoiced for franchise fees, advertising, equipment and supplies. The Company records an allowance for uncollectible receivables based on review of all outstanding amounts on a monthly basis and evaluation of the credit worthiness of its franchisee. For trade receivables, the Company generally does not require collateral from its franchisees. An allowance for doubtful accounts is recorded through charges to earnings in the form of a charge to bad debt expense. The Company periodically reviews and writes-off accounts receivable once it is determined that the account cannot be collected. Recoveries of accounts receivables previously written off are recorded into income when received in cash.

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.



## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

##### Note 2. Summary of Significant Accounting Policies (Continued)

**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 \$188,000 in 2012, \$292,000 in 2011 and \$254,000 in 2010.

**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 2012, 2011 and 2010, the Company was allocated approximately, \$1,014,000, \$526,000 and \$473,000, respectively, of amortization relating to financing fees for a loan agreement entered into in 2006 and amended in December 2007 and February 2012, collectively by the Company, Cottman and ADS.

**Intangible Assets:** The Company has adopted FASB ASC Topic 350, *Intangibles – Goodwill and Other Intangible Assets*. Intangible assets consist of a franchisor system which leads into generation of franchise agreements for a defined term of at least fifteen years, and is renewable or automatically extendable for additional terms. The Company amortizes its intangible assets over 15 years using a straight line method. The useful life of these intangible assets expires at various times through 2021. Amortization of intangible assets amounted to \$7,014,000 in 2012, \$9,380,000 in 2011 and \$9,286,000 in 2010. 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 2012, 2011 and 2010, approximately \$775,000, \$931,000 and \$1,061,000, respectively, of fees were recorded pursuant to this fee agreement.

Estimated annual amortization expense on acquired intangible assets at December 29, 2012 is as follows:

Years Ending	
2013	\$ 7,014,000
2014	7,014,000
2015	7,014,000
2016	7,014,000
2017	7,014,000

**Fair Value of Financial Instruments:** Financial instruments include cash and cash equivalents, accounts and notes receivable, accounts payable and accrued expenses. 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.

**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.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### Note 2. Summary of Significant Accounting Policies (Continued)

**Income Taxes (Continued):** 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. In 2012, the Company based on its current financial position recorded a full valuation allowance against its deferred tax assets.

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 2009.

**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.

**Reclassifications:** Certain amounts in the 2011 and 2010 financial statements have been reclassified to conform to the current year presentation with no impact on net income or retained earnings. Refer to Note 3, Changes in Accounting Principles for full disclosure.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### Note 2. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: During the year ended December 29, 2012, the following Accounting Standards Updates ("ASU") were issued or became effective:

In February 2013, FASB issued ASU 2013-04, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)*. This guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This stipulates that: (1) it will include the amount the entity agreed to pay for the arrangement between them and the other entities that are also obligated to the liability and (2) any additional amount the entity expects to pay on behalf of the other entities. The objective of this update is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements. The amendments in this update are effective for fiscal periods (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption and that are within the scope of this Update. The Company has elected for an early adoption of this ASU.

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This ASU requires an entity to provide information about the amounts of reclassified out of accumulated other comprehensive income by component and to present either on the face of the statement where net income is presented, or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. The ASU is effective for annual and interim reporting periods beginning on or after December 15, 2012. The Company is currently in the process of evaluating the ASU but does not expect it will have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities* (Topic 210). ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 was effective for interim and annual periods beginning on or after January 1, 2013 and should be applied retroactively for all comparative periods presented. The Company does not expect it will have a material impact on the Company's consolidated financial statements.

FASB ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*, was issued in December 2011 updating and superseding certain pending paragraphs relating to the presentation on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. This ASU was effective for interim and annual periods beginning December 31, 2011 and was applied prospectively. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements at the date of adoption.

In June 2011, the FASB issued 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 adoption of this ASU did not have a material effect on the Company's consolidated financial statements at the date of adoption.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### Note 3. Change In Accounting Principles

The Company prepares its financial statements in conformity with generally accepted accounting principles, which require management to make certain estimates and assumptions and apply judgments. The Company's accounting policies require the use of estimates and assumptions that may affect the value of the Company's assets or liabilities and financial results. The Company identified its accounting policies regarding revenue recognition, notes and accounts receivables, supplies, prepaid expenses, other assets and current liabilities to be critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. Under each of these policies, it is possible that materially different amounts would be reported under different conditions, using different assumptions, or as new information becomes available. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond the Company's control, can be hard to predict and could materially impact how the Company reports its financial results and condition. In certain cases, the Company could be required to apply a new or revised standard retroactively or apply an existing standard differently (also retroactively) which may result in the Company retroactively reclassifying prior period financial statements in material amounts.

On March 25, 2013, the management and the board of directors of the Company approved changes to several of its significant accounting policies, which allowed a change in the method of application of generally accepted accounting principles. The Company applied the changes in accounting estimate affected by the changes in accounting principles by retroactively adjusting the carrying amount of its existing assets and liabilities. The effect of these changes was applied in accordance with FASB ASC Topic 250, *Accounting Changes and Error Corrections*.

The consolidated balance sheet as of December 31, 2011 and January 1, 2011, and the consolidated statements of operations, shareholder's equity and cash flows for the fiscal years ended December 31, 2011 and January 1, 2011 have been retroactively reclassified for changes in accounting principles related to revenue recognition, notes and accounts receivables, supplies, intangible assets and other matters further described below.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 3. Change in Accounting Principles (Continued)

The table below summarizes the effect of changes in accounting principles on the consolidated balance sheets as of December 31, 2011 and January 1, 2011.

	December 31, 2011			January 1, 2011		
	As Reported	Changes in Accounting Principles	As Reclassified	As Reported	Changes in Accounting Principles	As Reclassified
<b>Assets</b>						
<b>Current Assets</b>						
Cash	\$ 150,727	\$ -	\$ 150,727	\$ 420,552	\$ -	\$ 420,552
Accounts receivable, net	13,665,112	(7,877,654)	5,687,458	13,310,991	(6,591,789)	6,719,202
Notes receivable, net	4,396,959	(1,668,346)	2,728,613	2,735,714	(1,009,830)	1,725,884
Supplies	701,926	(307,820)	394,106	448,374	(194,727)	253,647
Prepaid expenses and other	471,633	(224,482)	247,151	608,863	(185,098)	421,765
<b>Total current assets</b>	<b>19,386,357</b>	<b>(10,178,302)</b>	<b>9,208,055</b>	<b>17,522,494</b>	<b>(7,981,444)</b>	<b>9,541,050</b>
Notes Receivable, noncurrent, net	3,854,307	-	3,854,307	1,524,625	-	1,524,525
Intangible Asset, net	64,294,609	-	64,294,609	73,674,757	-	73,674,757
Equipment, net	1,058,554	(63,470)	995,084	662,625	(2,316)	660,209
Deferred Tax Asset	3,070,000	3,233,922	6,303,922	3,091,000	1,059,664	4,150,664
Other Assets	322,074	(35,779)	286,295	341,410	(66,548)	274,862
	<b>\$ 91,985,901</b>	<b>\$ (7,043,629)</b>	<b>\$ 84,942,272</b>	<b>\$ 96,816,711</b>	<b>\$ (6,990,644)</b>	<b>\$ 89,826,067</b>
<b>Liabilities and Shareholder's Equity</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued expenses	\$ 6,751,298	\$ (359,184)	\$ 6,392,114	\$ 4,327,713	\$ (370,518)	\$ 3,957,195
Deferred income	1,211,328	31,500	1,242,828	1,053,133	-	1,053,133
<b>Total current liabilities</b>	<b>7,962,626</b>	<b>(327,684)</b>	<b>7,634,942</b>	<b>5,380,846</b>	<b>(370,518)</b>	<b>6,010,328</b>
<b>Long-Term Liabilities</b>						
Due to parent company and affiliates	28,854,800	-	28,854,800	35,684,445	-	35,684,445
Deferred income, net of current portion	260,268	-	260,268	269,103	-	269,103
Security deposits	1,877,467	(93,490)	1,783,977	1,748,201	(93,490)	1,654,711
<b>Total long-term liabilities</b>	<b>30,992,535</b>	<b>(93,490)</b>	<b>30,899,045</b>	<b>37,701,749</b>	<b>(93,490)</b>	<b>37,608,259</b>
<b>Total liabilities</b>	<b>38,955,161</b>	<b>(421,174)</b>	<b>38,533,987</b>	<b>43,082,595</b>	<b>(464,008)</b>	<b>42,618,587</b>
<b>Commitments and Contingencies (Note 5)</b>						
<b>Shareholder's Equity</b>						
Common stock	2,617	-	2,617	2,617	-	2,617
Additional paid-in capital	58,476,383	-	58,476,383	58,476,383	-	58,476,383
Accumulated deficit	(5,448,260)	(6,622,455)	(12,070,715)	(4,744,884)	(6,526,636)	(11,271,520)
	<b>\$ 91,985,901</b>	<b>\$ (7,043,629)</b>	<b>\$ 84,942,272</b>	<b>\$ 96,816,711</b>	<b>\$ (6,990,644)</b>	<b>\$ 89,826,067</b>

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 3. Change in Accounting Principles (Continued)

The table below summarizes the effect of changes in accounting principles on the consolidated statements of operations for the years ended December 31, 2011 and January 1, 2011.

	December 31, 2011			January 1, 2011		
	As Reported	Changes in Accounting Principles	As Reclassified	As Reported	Changes in Accounting Principles	As Reclassified
<b>Revenues</b>						
Service fees	\$ 27,757,288	\$ -	\$ 27,757,288	\$ 27,582,769	\$ -	\$ 27,582,769
Sales of equipment and supplies	3,276,562	-	3,276,562	2,530,325	-	2,530,325
License and training fees	2,213,197	(31,500)	2,181,697	1,463,748	-	1,463,748
Advertising revenue	-	-	-	5,660	-	5,660
Other	4,203,638	(232,560)	3,971,078	2,736,497	-	2,736,497
<b>Total revenues</b>	<b>37,450,685</b>	<b>(264,060)</b>	<b>37,186,625</b>	<b>34,318,999</b>	<b>-</b>	<b>34,318,999</b>
<b>Expenses</b>						
Operating expenses				4,923	-	4,923
Cost of advertising media	-	-	-	1,658,670	8,454	1,667,124
Cost of sales	2,223,036	113,093	2,336,129	13,813,272	1,268,275	15,081,547
Selling, general and administrative	16,669,517	1,888,324	18,557,841	15,476,865	1,276,729	16,753,594
<b>Total operating expenses</b>	<b>18,892,553</b>	<b>2,001,417</b>	<b>20,893,970</b>	<b>15,476,865</b>	<b>1,276,729</b>	<b>16,753,594</b>
<b>Income from operations before depreciation, amortization and related party fees and expenses</b>	<b>18,558,132</b>	<b>(2,265,477)</b>	<b>16,292,655</b>	<b>18,842,134</b>	<b>(1,276,729)</b>	<b>17,565,405</b>
<b>Other operating expenses</b>	<b>10,198,419</b>	<b>4,600</b>	<b>10,203,019</b>	<b>10,012,704</b>	<b>-</b>	<b>10,012,704</b>
Depreciation and amortization	994,895	-	994,895	889,050	-	889,050
Related party fees and expenses	11,193,314	4,600	11,197,914	10,901,754	-	10,901,754
<b>Total other operating expenses</b>	<b>7,364,818</b>	<b>(2,270,077)</b>	<b>5,094,741</b>	<b>7,940,380</b>	<b>(1,276,729)</b>	<b>6,663,651</b>
<b>Income from operations</b>						
Other income (expense)	8,503	-	8,503	882	-	882
Interest income	(7,975,091)	-	(7,975,091)	(7,467,687)	-	(7,467,687)
Interest expense	(80,606)	-	(80,606)	(655,295)	-	(655,295)
Miscellaneous expense	(8,047,194)	-	(8,047,194)	(8,122,100)	-	(8,122,100)
<b>Total other expenses</b>						
Loss before income tax benefit (expense)	(682,376)	(2,270,077)	(2,952,453)	(181,720)	(1,276,729)	(1,458,449)
Income tax benefit (expense), net	(21,000)	2,174,258	2,153,258	4,000	1,059,664	1,063,664
<b>Net loss</b>	<b>\$ (703,376)</b>	<b>\$ (95,819)</b>	<b>\$ (799,195)</b>	<b>\$ (177,720)</b>	<b>\$ (217,065)</b>	<b>\$ (394,785)</b>

The table below summarizes the effect of changes in accounting principles on the consolidated statements of shareholder's equity as of December 31, 2011 and January 1, 2011.

	December 31, 2011			January 1, 2011		
	As Reported	Changes in Accounting Principles	As Reclassified	As Reported	Changes in Accounting Principles	As Reclassified
Common stock amount	\$ 2,617	\$ -	\$ 2,617	\$ 2,617	\$ -	\$ 2,617
Additional paid-in capital	58,476,383	-	58,476,383	58,476,383	-	58,476,383
Accumulated deficit	(5,448,260)	(6,622,455)	(12,070,715)	(4,744,884)	(6,526,636)	(11,271,520)
<b>Total shareholder's equity</b>	<b>\$ 53,030,740</b>	<b>\$ (6,622,455)</b>	<b>\$ 46,408,285</b>	<b>\$ 53,734,116</b>	<b>\$ (6,526,636)</b>	<b>\$ 47,207,480</b>

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 3. Change in Accounting Principles (Continued)

The table below summarizes the effect of changes in accounting principles on the consolidated statements of cash flows for the years ended December 31, 2011 and January 1, 2011.

	December 31, 2011			January 1, 2011		
	As Reported	Changes In Accounting Principles	As Reclassified	As Reported	Changes In Accounting Principles	As Reclassified
<b>Cash Flows from Operating Activities</b>						
Net loss	\$ (703,376)	\$ (95,819)	\$ (799,195)	\$ (177,720)	\$ (217,065)	\$ (394,785)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation and amortization	10,198,419	4,600	10,203,019	10,012,704	-	10,012,704
Provision for doubtful accounts	-	3,572,875	3,572,875	-	3,310,453	3,310,453
Deferred income tax (benefit) expense	21,000	(2,174,258)	(2,153,258)	(4,000)	(1,059,664)	(1,063,664)
Changes in assets and liabilities:						
(Increase) decrease:						
Notes and accounts receivable	(4,345,148)	(1,471,940)	(5,817,088)	(1,058,741)	(2,062,648)	(3,121,389)
Supplies	(253,552)	113,093	(140,459)	1,490	8,454	9,944
Prepaid expenses and other	135,230	39,384	174,614	74,017	23,977	97,994
Other assets	19,336	(30,769)	(11,433)	218,052	(13,975)	204,077
Increase (decrease):						
Accounts payable and accrued expenses	2,423,585	11,334	2,434,919	669,367	10,468	679,835
Deferred income	149,360	31,500	180,860	(258,811)	-	(258,811)
Security deposits	129,266	-	129,266	(77,396)	-	(77,396)
<b>Net cash provided by operating activities</b>	<b>7,774,120</b>	<b>-</b>	<b>7,774,120</b>	<b>9,398,962</b>	<b>-</b>	<b>9,398,962</b>
<b>Cash Flows from Investing Activities</b>						
Due to parent company and affiliates	(7,355,706)	-	(7,355,706)	(9,678,482)	-	(9,678,482)
Purchases of equipment	(688,239)	-	(688,239)	(571,615)	-	(571,615)
<b>Net cash used in investing activities</b>	<b>(8,043,945)</b>	<b>-</b>	<b>(8,043,945)</b>	<b>(10,250,097)</b>	<b>-</b>	<b>(10,250,097)</b>
<b>Net decrease in cash</b>	<b>(269,825)</b>	<b>-</b>	<b>(269,825)</b>	<b>(851,135)</b>	<b>-</b>	<b>(851,135)</b>
Cash, beginning	420,552	-	420,552	1,271,687	-	1,271,687
Cash, ending	<u>\$ 150,727</u>	<u>\$ -</u>	<u>\$ 150,727</u>	<u>\$ 420,552</u>	<u>\$ -</u>	<u>\$ 420,552</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid during the year for interest	<u>\$ 7,324,000</u>		<u>\$ 7,324,000</u>	<u>\$ 7,034,000</u>		<u>\$ 7,034,000</u>

#### Summary of Changes in Accounting Principle Reclassifications:

**Revenue Recognition:** In prior years, the Company recognized revenue from sales of individual franchises and gain on sale of corporate operated centers utilizing the recognition parameters set forth under SAB Topic 104. On March 25, 2013, the Company adopted and retroactively changed its revenue recognition principles based on FASB ASC *Topic 952, Franchisors*. The Company previously recognized revenue from sales of individual franchises when the legal title was passed to the franchisee. The Company adopted a change in its revenue recognition principle and now recognizes revenue from sales of individual franchises when the legal title has passed to the franchisee and all material services or conditions relating to the franchise have been substantially performed by the Company, which generally occurs when the franchisee assumes operations of the center.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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#### Note 3. Change in Accounting Principles (Continued)

##### Summary of Changes in Accounting Principle Reclassifications (Continued):

Notes and Accounts Receivables: In prior years, the Company's allowance for uncollectible accounts was established, when necessary, through charges to earnings in the form of a charge to bad debt expense. Notes and accounts that were determined to be uncollectible were charged against the allowance and required the Company to recognize additions or reductions to management's determination of the allowance for uncollectible accounts in the near term. On March 25, 2013, the Company revised its Notes and Accounts Receivables policy and retroactively changed its method and policy of recognizing losses from uncollectible receivables in accordance with FASB ASC *Topic 310, Receivables*. The Company performed a detailed review of its notes and accounts receivable portfolio and revised its estimate and method of recognizing losses from uncollectible receivables primarily based on aging of the receivables, center performance, franchisee collection history, credit worthiness and collateral.

Supplies: On March 25, 2013, the Company adopted and retroactively changed its method and policy related to supply obsolescence and excess and slow-moving inventory shortage in accordance with FASB ASC *Topic 330, Inventory*. The Company performed a detailed review of its supply monitoring, supplies turnover and physical and perpetual count system and revised its estimate and method of establishing proper allowance for obsolescence and excess and slow-moving supplies.

Other Changes in Accounting Principles: The Company also applied the changes in accounting estimate affected by the changes in accounting principles to prepaid expenses, other assets and current liabilities by retroactively adjusting the carrying amount for the years ended December 31, 2011 and January 1, 2011.

#### Note 4. Related Party Transactions

The Company shares certain services with ADS and Cottman, including services rendered by related parties, and the Company 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 and the Company reimburses shareholder's 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.

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:

	2012	2011	2010
Management service fee	\$ 636,227	\$ 783,750	\$ 703,725
Other management service expenses	65,621	211,145	185,325
	<u>\$ 701,848</u>	<u>\$ 994,895</u>	<u>\$ 889,050</u>



## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

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##### Note 4. Related Party Transactions (Continued)

As of December 29, 2012, December 31, 2011 and January 1, 2011, the Company had a payable to the AAMCO National Creative Committee ("NCC") of approximately \$926,000, \$1,127,000 and \$488,000, respectively, which is included in "accounts payable and accrued expenses" in the accompanying balance sheet. NCC is composed of all AAMCO franchisees, governed by twelve franchisees and three members of the Company's management. In 2012, 2011 and 2010, collections from participating franchisees exceeded loans from AAMCO. 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 2012, 2011 and 2010, \$775,000, \$931,000 and \$1,061,000, respectively, of fees were recorded pursuant to this fee agreement.

Certain Company employees participate in an ADS stock option plan. During 2012, 2011 and 2010, the Company was allocated \$17,000, \$65,000 and \$99,000, respectively, of compensation expense for its share of ADS's stock compensation plan.

Additionally, the Company has borrowed money in the form of a long-term intercompany loan from ADS and its affiliates. The intercompany loan arrangement does not include a provision for an interest charge and has no set maturity payment date. The intercompany loan balances are classified as "Due to parent company and affiliates" on the consolidated balance sheets.

##### 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	
2013	\$ 119,029
2014	114,500
2015	114,896
2016	111,716

In addition, the Company shares certain office space and equipment under ADS and Cottman leasing arrangements and the Company has been allocated \$506,000, \$563,000 and \$557,000 in rent expense related to these leasing arrangements in 2012, 2011 and 2010, respectively. The Company incurred rent expense of \$858,000 in 2012, \$888,000 in 2011 and \$861,000 in 2010 relating to all leasing arrangements.

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. No matching discretionary employer contributions were made in 2012 and 2011.

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.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 5. Commitments and Contingencies (Continued)

**Joint and Several Liability Arrangements:** The Company is jointly and severally liable for total debt obligations by and among the Company, ADS and Cottman (collectively referred to as "Borrowers"). The outstanding total debt obligations of the Borrowers under such arrangement were \$109,570,974 at 2012, \$96,793,173 at 2011 and \$100,204,978 at 2010. The debt obligations mature at various times through January 31, 2016. The Borrowers were not in compliance with certain of its covenants ("Events of Default") under its debt obligations, and on November 6, 2013, the Lenders and the Borrowers executed an amendment to the debt obligations and the Lenders provided a limited waiver to the Borrowers in respect of Events of Default, subject to the terms and conditions of the amendment.

#### 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. These proceeds have been reflected as additional paid-in capital.

#### Note 7. Income Taxes

The total income tax expense (benefit) for periods ended December 29, 2012, December 31, 2011 and January 1, 2011 is made up of the following:

	2012	2011	2010
Current Provision:			
Federal	\$ -	\$ -	\$ -
State	-	-	-
Total	-	-	-
Deferred Provision:			
Federal	4,727,942	(1,614,943)	(797,748)
State	1,575,980	(538,315)	(265,916)
Total	6,303,922	(2,153,258)	(1,063,664)
Total income tax expense (benefit)	\$ 6,303,922	\$ (2,153,258)	\$ (1,063,664)

The 2012 deferred tax expense reflects the recording of a valuation allowance against the Company's entire deferred tax assets. The Company recorded no current federal or state income tax expense or benefit in 2012, 2011, and 2010 due to net operating losses incurred in those years.

The major differences between statutory federal tax rate and effective tax rate are primarily a result of valuation allowances against deferred tax assets, state income tax expense, and permanent differences.

## Exhibit I

### AAMCO Transmissions, Inc. and Subsidiaries

#### Notes to Consolidated Financial Statements

##### Note 7. Income Taxes (Continued)

Deferred tax assets and liabilities consist of the following at December 29, 2012, December 31, 2011 and January 1, 2011:

	2012	2011	2010
Deferred tax assets			
Net operating loss carryforward	\$ 7,578,262	\$ -	\$ -
Amortization, intangible and other	1,437,583	6,393,922	4,659,664
Depreciation and other	2,050,080	(90,000)	(509,000)
Total deferred tax assets before valuation allowance	11,065,925	6,303,922	4,150,664
Less: valuation allowance	(11,065,925)	-	-
Total deferred tax assets	-	6,303,922	4,150,664
Total deferred liabilities	-	-	-
Net deferred assets	\$ -	\$ 6,303,922	\$ 4,150,664

The realization of the deferred tax asset depends upon the Company's ability to generate sufficient future taxable income. The Company has historically incurred net operating losses and is unable to carry back net operating losses to previous tax years. In 2012, management concluded that based upon consideration of all applicable evidence it is more likely than not that no portion of the deferred tax asset would be realized and therefore recorded a full valuation allowance for 2012. In 2011 and 2010, management believed that based upon consideration of all applicable evidence at that time it was more likely than not that the entire deferred tax asset would be realized and therefore no valuation allowance was recorded for 2011 and 2010. As of December 29, 2012, the Company had \$-0- of federal net operating losses.

The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. The Company has analyzed its tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken on its current year tax returns. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Company is no longer subject to U.S. federal and state examinations for years prior to 2009. There are not current U.S. federal or state income tax examinations.

##### Note 8. Subsequent Events

The Company has evaluated its subsequent events (events occurring after December 29, 2012) through November 13, 2013 which represents the date the financial statements were issued and determined that, other than as mentioned below, there are no material subsequent events requiring adjustment to, or disclosure in, the consolidated financial statements for the year ended December 29, 2012.

On October 10, 2013 AAMCO Transmission's Inc.'s wholly-owned subsidiary Accel Advertising, Inc. was merged into AAMCO Transmissions, Inc.

The Company is late in filing the Franchise Disclosure Document with various states and regulatory authorities, pending finalization of the 2012 financial statement audit.

Exhibit I

**UNAUDITED FINANCIAL STATEMENTS**

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries Consolidated Balance Sheet October 26, 2013 UNAUDITED

### ASSETS

#### Current Assets

Cash	\$ -
Accounts receivable, net of allowance for uncollectable accounts of \$8,636,783	3,827,477
Notes receivable, net of allowance for uncollectable accounts of \$4,251,845	1,590,893
Supplies	89,206
Prepaid expenses and other	158,551
Total current assets	<u>5,666,127</u>

#### Other Assets

Notes receivable, noncurrent, net of allowance for uncollectable accounts of \$0	3,941,082
Intangible asset, net of accumulated amortization of \$67,760,897	51,435,692
Equipment, net	1,095,570
Other Assets	288,592
	<u>\$ 62,427,063</u>

### LIABILITIES AND EQUITY

#### Current Liabilities

Notes payable	\$ 538,943
Accounts payable and accrued expenses	3,720,880
Deferred Income	1,284,060
Total current liabilities	<u>5,543,883</u>

#### Long term Liabilities

Notes payable, non-current	688,536
Due to parent company and affiliates	26,741,933
Security deposits	1,918,450
Other long term liabilities	1,100,000
Total Long term Liabilities	<u>30,448,919</u>
Total liabilities	<u>35,992,802</u>

#### Stockholders' Equity

Common stock	2,617
Additional paid-in capital	58,476,383
Accumulated deficit	(32,044,739)
	<u>26,434,261</u>
	<u>\$ 62,427,063</u>

# Exhibit I

AAMCO Transmissions, Inc. and Subsidiaries  
Consolidated Statement of Operations  
Ten Months Ended October 26, 2013  
UNAUDITED

Revenues	
Service fees	\$ 21,592,391
Sales of equipment and supplies	1,382,287
License and training fees	122,000
Other	1,075,166
Total revenues	<u>24,171,844</u>
Expenses	
Operating expenses	
Cost of sales	935,090
Selling, general and administrative	14,705,375
Total operating expenses	<u>15,640,465</u>
Income from operations before depreciation, amortization and related party fees and expenses	<u>8,531,379</u>
Other operating expenses	
Depreciation and amortization	6,920,253
Related party fees and expenses	678,182
Total other operating expenses	<u>7,598,435</u>
Income from operations	<u>932,944</u>
Other income (expenses)	
Interest expense	(8,030,504)
Miscellaneous expense	(4,644)
Total other expenses	<u>(8,035,148)</u>
Loss before income tax benefit (expense)	<u>(7,102,204)</u>
Income tax benefit (expense), net	(15,610)
Net loss	<u>\$ (7,117,814)</u>

# Exhibit I

## AAMCO Transmissions, Inc. and Subsidiaries Consolidated Statement of Cash Flow Ten Months Ended October 26, 2013 UNAUDITED

### Cash Flows from Operating Activities

Net loss	\$ (7,117,814)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	6,920,253
Provision for doubtful accounts	1,694,746
Changes in assets and liabilities:	
(Increase) decrease:	
Notes and accounts receivable	(4,008,684)
Supplies	108,179
Prepaid expenses and other	(31,726)
Other assets	(59,190)
Increase (decrease):	
Accounts payable and accrued expenses	(2,712,011)
Deferred income	657,986
Security deposits	(138,327)

<b>Net cash provided by operating activities</b>	<u><u>(4,686,588)</u></u>
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### Cash Flows From Investing Activities

Issuance of notes payable	233,591
Due to parent company and affiliates	4,393,196
Purchases of equipment	9,439

<b>Net cash used in Investing activities</b>	<u><u>4,636,226</u></u>
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<b>Net decrease in cash</b>	<u><u>(50,362)</u></u>
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Cash, beginning	50,362
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Cash, ending	<u><u>\$ -</u></u>
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### Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for interest	<u><u>\$ 5,444,270</u></u>
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