

Timothy Montileone, et al.

-vs-

AAMCO Transmissions, Inc., et al.

Complaint

EXHIBIT 7



**COMPLETE CAR CARE EXPERTS**

---

June 10, 2008

Scott Trent & Rick Firmand  
8744 Watson Rd  
St. Louis, MO 63119

Dear Scott and Rick:

Enclosed please find a UFOC for your signature. Please sign and return to my attention as soon as possible.

If you should have any questions please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Nicole Dawson", with a long, sweeping horizontal line extending to the right.

Nicole Dawson  
Franchise Administration  
610-668-2900 x. 241

Enclosures

## ITEM 23 RECEIPT

**THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.**

IF AAMCO OFFERS YOU A FRANCHISE, AAMCO MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- (1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- (2) TEN\* BUSINESS DAYS BEFORE SIGNING OF ANY BINDING AGREEMENT; OR
- (3) TEN\* BUSINESS DAYS BEFORE ANY PAYMENT TO AAMCO.

\* For Illinois prospective franchisees, it is fourteen days in advance.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF AAMCO DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20590 AND YOUR STATE AGENCY.

I have received a Uniform Franchise Offering Circular dated November 28, 2007 with exhibits including Franchise Agreement and related Franchise Documents:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature – Franchisee

\_\_\_\_\_  
Print Name

**I have also received the following:**

Completed Copies of:

AAMCO Transmissions, Inc.'s Franchise Agreement  
and attachments;

State Judgment for Missouri.  
(if applicable)

**Initials**

**Date**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_







**FRANCHISE DISCLOSURE DOCUMENT  
AAMCO TRANSMISSIONS, INC.**

201 Gibraltar Road  
Horsham, PA 19044  
Telephone: (610) 668-2900  
Fax: (215) 956-0340  
www.aamcotransmissions.com

**Franchise Business:** As a franchisee, you will operate a transmission and general automotive repair center under the name of AAMCO.

**Total Initial Investment:** The total investment necessary to begin operation of an AAMCO Center is from \$204,841 to \$260,361. This includes the following fees and other payments that you must make to us before you open your AAMCO Center:

Initial Fee	Amount
Initial License Fee - New franchisee for a location outside of New Jersey	\$39,500
Initial License Fee New franchisee for a location in New Jersey	\$44,500 (may be eligible for \$5,000 credit)
Interior Design Package	\$4,500 - \$5,500
Exterior Design Package	\$4,000 - \$10,000
Security Deposit	\$5,000

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Christine Katubi, AAMCO Transmissions, Inc., 201 Gibraltar Road, Horsham, PA 19044 (telephone: 610-668-2900; fax: 215-956-0340; e-mail [franchise@aamco.com](mailto:franchise@aamco.com)).

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 15, 2008.

## STATE COVER PAGE

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

Call the state franchise administrator listed in **Exhibit E** for information about any franchisor or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE OR TO ARBITRATE WITH AAMCO ONLY IN PENNSYLVANIA. OUT-OF-STATE ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT. IT MAY ALSO COST MORE TO SUE OR TO ARBITRATE WITH AAMCO IN PENNSYLVANIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT PENNSYLVANIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. THE FRANCHISE AGREEMENT STATES THAT YOU AND AAMCO WAIVE TRIAL BY JURY IN ANY ACTION UNDER THE FRANCHISE AGREEMENT.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

STATE EFFECTIVE DATES: See the next page for state effective dates.



### STATE EFFECTIVE DATES:

This Franchise Disclosure Document is registered, or AAMCO Transmissions, Inc. has qualified for an exemption from registration, in the following states having franchise registration or disclosure laws, with the following effective dates:

State	Effective Date
California	August 30, 2007
Hawaii	
Illinois	August 14, 2007
Indiana	Self-executing
Maryland	
Michigan	October 2, 2007
Minnesota	
New York	Self-executing
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

## DISCLOSURES REQUIRED BY MICHIGAN LAW

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. TO THE EXTENT THAT MICHIGAN LAW APPLIES TO ANY CONTRACT THAT WE ENTER WITH YOU, MICHIGAN LAW PROVIDES THAT EACH OF THE FOLLOWING PROVISIONS ARE VOID AND UNENFORCEABLE IF CONTAINED IN ANY DOCUMENTS RELATING TO A FRANCHISE:**

1. A prohibition on the right of a franchisee to join an association of franchisees.

2. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a Franchise Agreement, from settling any and all claims.

3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies to the parties only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.

5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

a. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

b. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

c. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

d. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the Franchise Agreement and has failed to cure the breach in the manner provided in subdivision (c).

9. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than \$100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE MICHIGAN ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

**ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE OFFICE OF THE ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE SECTION, G. MENNEN WILLIAMS BUILDING, 6TH FLOOR, LANSING, MICHIGAN 48933, (517) 373-7117.**

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### Exhibits

#### "A" Franchise Documents

- Exhibit A-1 Franchise Agreement - New and attachments
- Exhibit A-2 Franchise Agreement - EDAC form; for franchisees in System as of 10/1/06 obtaining an additional center
- Exhibit A-3 Lease Rider
- Exhibit A-4 Telephone Number of User Agreement - New
- Exhibit A-5 Telephone Number of User Agreement - EDAC

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"B"	Additional Franchise Agreements	
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**ITEM 1.**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

1. Terminology.

To simplify the language in this Franchise Disclosure Document "AAMCO" means AAMCO Transmissions, Inc., the franchisor. "You" means the person who buys the franchise and includes your owners if you are a corporation, limited liability company, partnership or other type of business entity.

2. The Company, Our Parents, Predecessors and Affiliates.

AAMCO is a Pennsylvania corporation which was incorporated on November 6, 1963. AAMCO has no predecessor. AAMCO does business as AAMCO Transmissions, Inc., with a principal business address of 201 Gibraltar Road, Horsham, PA 19044.

On March 7, 2006, AAMCO became a subsidiary of American Driveline Systems, Inc., a Delaware Corporation ("ADL"), which indirectly owns another subsidiary offering transmission repair center franchises under a different brand, Cottman Transmission Systems, LLC ("Cottman").

Our affiliates, American Driveline Communications Corporation and Select-Trans Equipment Company, Inc. each provide products or services to AAMCO franchisees. Their principal business address is the same as ours, and each affiliate is a Pennsylvania corporation.

AAMCO's agents for service of process in various states are listed on **Exhibit F**.

3. Prior Business Experience of AAMCO and Any Affiliates That Offer Franchises in Any Line of Business or Provide Products or Services to Our Franchisees.

Since 1963, AAMCO has developed, operated and sold franchises for transmission and general automotive repair centers of the type described in this Franchise Disclosure Document. AAMCO has not offered franchises in any other line of business and does not engage in any other business activities. As of the date of issuance of this Franchise Disclosure Document, AAMCO does not operate businesses of the type being franchised although we have done so in the past.

Through Cottman's predecessors, Cottman has operated transmission and driveline related automotive repair service centers under the Cottman brand name since 1962. Cottman has sold franchises for Cottman transmission service centers since 1967. Cottman discontinued selling new Cottman franchises on March 7, 2006. Since March 7, 2006, some Cottman franchisees have either converted to become AAMCO franchisees or have indicated an intention to convert their service center to the AAMCO brand in the near future.

Our affiliates, American Driveline Communications Corporation and Select-Trans Equipment Company, Inc., each provide goods or render services to our franchisees. American Driveline Communications Corporation, which was formed in connection with the March, 2006 acquisition as a wholly-owned subsidiary of ADL, obtains telephone numbers for use by AAMCO franchisees in the operation of their Centers. American Driveline Communications

Corporation or another affiliate of ours will own the telephone numbers for any new AAMCO Center established after October, 2006.

Select-Trans Equipment Company, Inc., which became a wholly-owned subsidiary of ADL in connection with the March, 2006 acquisition and previously was Cottman's affiliate, sells equipment packages to new AAMCO franchisees and replacement equipment to Cottman franchisees.

Neither American Driveline Communications Corporation nor Select-Trans Equipment Company, Inc. has offered franchises in any line of business.

4. The Franchises That We Offer.

As an AAMCO franchisee, you will own and operate an AAMCO Center and sell transmission repair services to the general public on both a retail and wholesale level. Additionally, you may offer your customers AAMCO's Complete Car Care services, such as oil and filter changes, brake services, cooling system service, tune-ups and factory recommended maintenance. At the present time, AAMCO Complete Car Care is an optional program for AAMCO franchisees, although AAMCO reserves the right to mandate participation in the program by AAMCO franchisees in the future.

5. Franchisee Referral Program.

We currently offer a Franchisee Referral Program. For each qualified candidate that an AAMCO Franchisee refers to the AAMCO Franchise Development Department, that results in a sale of an AAMCO franchise, AAMCO will pay a referral fee of \$5,000. For a lead to be qualified and accepted they must (a) not already be in our data base; (b) have a minimum net worth of \$250,000, and (c) have minimum cash available of \$60,000. The referral fee will be paid once the candidate completes the required training and pays us the entire initial fee. We intend to continue this program through 2008 and thereafter may discontinue this program at any time.

6. General Market for Your Products and Services and General Description of Your Competition.

You will be competing with other businesses that repair transmissions and provide car care services, including independent garages and shops, auto dealerships and other chains. Your potential customers are owners of various types of automotive vehicles who have transmission or general automotive related problems. You will be competing with other national chains, independent garages and service stations and auto dealerships in offering AAMCO transmission and Complete Car Care services. The market is competitive.

7. Laws and Regulations.

In operating your AAMCO Center, you must comply with all federal, state, provincial, municipal and local laws and regulations applicable to an automotive care business. **Exhibit G** illustrates the types of federal and state laws that might apply to your AAMCO Center, which include automotive repair, tax, employment, environmental and consumer protection laws. You must also comply with federal and state laws affecting businesses generally including laws forbidding smoking in public places or requiring the public posting of notices regarding health hazards (e.g., tobacco smoke or other carcinogens), and laws regarding fire safety and general emergency preparedness laws, rules regarding the proper use, storage and

disposal of waste, insecticides and other hazardous materials, and standards regarding employee health and safety. **Exhibit G** is not exhaustive. There may be other laws and regulations in addition to those listed that cover automotive repair facilities in your locality. It is your responsibility to be aware of and to comply with all state, provincial and local laws. **Exhibit G** does not take the place of a franchisee's duty to investigate and comply with all applicable local laws.

8. Your Owner's Obligations.

If you are a business entity, each of your owners who owns 25% or more of the outstanding voting interests of the business entity must sign our form of personal guaranty agreeing to jointly and severally personally guaranty the entity's obligations to us under all contracts that the entity signs with us. Since most of our franchisees enter into the Franchise Agreement as individuals and not as a business entity, at this time, we do not have a standard form of personal guaranty.

**ITEM 2.  
BUSINESS EXPERIENCE**

**President, CEO and Director – Todd P. Leff** – On March 7, 2006, Mr. Leff was named President and CEO of AAMCO and of AAMCO's parent company, ADL. Mr. Leff also is the President and CEO of Cottman having served in that role since 1998. Mr. Leff began his career with Cottman in April 1990, as General Counsel. In April 1996, he was promoted to Vice President – Administration, and assumed additional responsibility in marketing and advertising. Prior to his employment with Cottman, Mr. Leff served as a trial attorney with the United States Department of Justice, Antitrust Division from 1985 through 1990. Mr. Leff also serves as a member of the Board of Directors of AAMCO.

**Member of Board of Directors – Robert Klein** – Mr. Klein was appointed to the Board of Directors of AAMCO in March 2006. Mr. Klein has been employed by American Capital since January 2002, having been promoted to Managing Director in 2004. Prior to joining American Capital in January 2002, Mr. Klein was employed as a Principal by American Securities Capital Partners and Managing Director of American Industrial Partners for eight years.

**Member of Board of Directors – Adam Spence** – Mr. Spence was elected to the Board of Directors of AAMCO in July 2006. Mr. Spence has been employed by American Capital, a venture capital company since 2001. Prior to his employment at American Capital, Mr. Spence was employed by the Lend Lease Real Estate Investments, Inc.

**Member of Board of Directors – Mark Fikse** - Mr. Fikse was elected to the Board of Directors of AAMCO in July 2006. Mr. Fikse joined American Capital in 2006. Previously, Mr. Fikse was employed by The Home Depot from 2000 to 2005, where he served as President of Creative Touch Interiors and Vice President of Strategic Business Development.

**Member of Board of Directors – Brian Graff** – Mr. Graff was appointed to the Board of Directors of AAMCO in March 2006. Mr. Graff has been employed by American Capital from July 2001 until the present. Prior to his employment at American Capital, Mr. Graff was employed by Odyssey Investment Partners from January 2000 until July 2001.



**Member of Board of Directors – Marc Graham** – Mr. Graham was appointed to the Board of Directors of AAMCO in March 2006. Since June 2003, Mr. Graham has been employed as the President and CEO of Synergy Global Business Solutions, LLC. Prior to his employment with Global Business Solutions, Mr. Graham was employed from June 1999 to June 2003 as President and CEO of Jiffy Lube International.

**Member of Board of Directors – Robert Rosenberg** – Mr. Rosenberg was appointed to the Board of Directors of AAMCO in March 2006. Mr. Rosenberg retired from his position of CEO of Allied Domecq Retailing USA in 1998. Since that time Mr. Rosenberg has served on several Board of Directors for non profit and for profit companies. He has also served as an Adjunct Professor in the MBA and Executive Education Programs at Babson College in Wellesley, Mass.

**Senior Vice President of Operations – Brian O'Donnell** – Mr. O'Donnell currently serves as Senior Vice President of Operations for AAMCO. Mr. O'Donnell started with AAMCO in January 1985 as a Field Operations Manager. From May 1988 till June 1992, Mr. O'Donnell was Director of Operations. Mr. O'Donnell became Vice President of Operations in June 1992 and continued in that position until 1997 when he was appointed Senior Vice President of Operations.

**Vice President of Finance – CFO – Michael Sumsky** – Mr. Sumsky joined AAMCO in June 2006 as Vice President of Finance-CFO. Mr. Sumsky is also the Vice President of Finance-CFO for ADL and Cottman. Previously, Mr. Sumsky was employed at Diamond Triumph Auto Glass, serving as President and COO from July 2004 to December 2005, as President and CFO from January 2002 to June 2004, and as Executive Vice President and CFO from January 2001 to December 2001. Mr. Sumsky also serves as Secretary of AAMCO, ADL and Cottman, positions he has held since September 2006.

**Vice President – Strategic Development – Mark A. DiMuzio** – Effective March 2006, Mr. DiMuzio became Vice President-Strategic Development for AAMCO. Previously, Mr. DiMuzio was Vice President of Strategic Development for Cottman. Prior to that, Mr. DiMuzio was Vice President-Franchise Development for Cottman from January 2003 until November 2004. From February 2001 to January 2003, Mr. DiMuzio served as Assistant Director of Operations for Cottman from 1990 to 1997. Mr. DiMuzio also served in several different positions with Cottman starting with Customer Relations to the level of Operations Manager.

**Vice President – Law and General Counsel – James A. Goniea** – Mr. Goniea joined AAMCO in September 2006 as Vice President – Law and General Counsel. Previously, Mr. Goniea was a partner in the San Francisco, CA office of Sonnenschein Nath & Rosenthal LLP where he practiced from April 2000 until September 2006. Mr. Goniea also is the Vice President - Law and General Counsel of ADL.

**Vice President – Marketing – Jack Bachinsky** – Mr. Bachinsky joined AAMCO in August 2007 as Vice President – Marketing. Previously, Mr. Bachinsky was employed at LA Weight Loss Franchise Company in Horsham, Pennsylvania as it Senior Vice President of Marketing from 1998 until August 2007.

**Vice President – Training and Operations – Michael Dacko** – In March 2006, Mr. Dacko was named the Vice President – Training for AAMCO. Previously, Mr. Dacko was Vice President–Operations for Cottman having returned to Cottman in 1991 as Director of Training and Senior Operations Manager. Mr. Dacko also worked for Cottman from 1975 to

1987 in various positions, including Operations Manager, Training Director and Assistant Director of Operations.

**Vice President of Franchise Development – John Conway** – In June 2007, Mr. Conway returned to AAMCO and was named the Vice President of Franchise Development for AAMCO. In February 2007 Mr. Conway was employed by CertaPro Painters as General Manager of Franchise Recruiting. Prior to that Mr. Conway served in several different positions with AAMCO as Manager – Customer Relations Department, Manager – Operations Department and Director of Franchise Sales from September 1992 to January 2007.

**Manager of Corporate Training – James Melnick** – In August 2007, Mr. Melnick joined AAMCO as Manager of Corporate Training. Previously, Mr. Melnick was employed at MAACO serving as Development Manager from July 2005 to August 2007. Mr. Melnick also worked for Cottman from September 2002 to July 2005 as an Operations Manager.

### ITEM 3. LITIGATION

#### Litigation Against Individuals Identified in Item 2

##### Todd P. Leff

1. Cottman Transmission Systems, LLC et al. v. Dale Kershner et al. (U. S. Dist. Court for the Eastern Dist. of PA, No. 05-CV-6369). On December 12, 2005, Cottman Transmission Systems, LLC ("Cottman") filed a Declaratory Judgment Action against a number of franchisees concerning allegations the franchisees had been asserting regarding the formation of their license agreements with Cottman. After Cottman filed its Declaratory Judgment Action, the defendant franchisees and certain others present and former Cottman franchisees filed two (2) actions captioned S&G Janitschke, Inc. et al. v. Cottman Transmission Systems, LLC et al. (U.S. Dist. Court for the Dist. of Minn., No. 05-CV-2896) and Bombaro et al. v. Cottman Transmission Systems, LLC et al. (U.S. Dist. Court for the Eastern Dist. of NY, No. 05 5886). These actions alleged various claims against Cottman Transmission Systems, LLC, Ross Advertising and Mr. Leff. The claims asserted against Mr. Leff include claims for violation of several state franchise disclosure laws. Mr. Leff is named as a party under the theory that he is a "controlling person" of Cottman under those statutes. The claims against Mr. Leff were dismissed from the Minnesota action (Janitschke) on the ground of lack of personal jurisdiction. Subsequently, the Minnesota action (Janitschke) and the New York action (Bombaro) were consolidated into the Kershner action in the Eastern District of Pennsylvania where the matter is currently pending and the claims against Mr. Leff have been reasserted. This matter continues to be in its preliminary stages.

##### Other Pending Litigation:

AAMCO Transmissions, Inc. v. Mark Baker (Counterclaim). Filed on November 30, 2006 in the United States District Court for the Eastern District of Pennsylvania. AAMCO terminated Baker for engaging in fraudulent and deceptive practices by, among other things, recommending and attempting to sell unnecessary services to customers, selling unnecessary services to customers and failing to provide the services and parts charged for and making false representations to customers. Baker filed counterclaims in the lawsuit, alleging unspecified damages, asserting causes of action for breach of contract based on wrongful termination and purported violation by AAMCO of its Market Development Program, breach of the covenant of

good faith and fair dealing and intentional interference with existing or prospective contractual relationships. While discovery has been completed in this matter, no trial date has yet been set.

Concluded Litigation:

Balboa Capital Corporation v. Trans-R-Us, et al. On March 21, 2007, Balboa Capital Corporation, ("Balboa") filed a lawsuit against an AAMCO franchise, Joe Truskowski ("Truskowski"), for, among other things, failure to make payments on an equipment lease that had been assigned by a third-party lender to Balboa. The primary allegations of the Complaint concern assertions that Truskowski breached the equipment lease by failing to make timely payments thereunder and that he committed fraud in inducing the third party lender to enter into the equipment lease. The Complaint includes a fraud claim directed at AAMCO based on purported misrepresentations made by AAMCO in helping Truskowski acquire the equipment lease financing. AAMCO Answered the Complaint on May 11, 2007, denying all liability and asserting affirmative defenses. A settlement was reached between Balboa and Truskowski and the lawsuit was dismissed, including all claims against AAMCO, in October 2007. We paid no money to any party in connection with the settlement.

AAMCO Transmissions, Inc. v. James M. Dunlap (Counterclaim). Filed January 19, 2007 in the Court of Common Pleas of Montgomery County Pennsylvania and removed to the Eastern District of Pennsylvania on February 9, 2007 as Case No. 07-00562 (TJS). AAMCO terminated Dunlap's franchises in Portsmouth and Chesapeake, Virginia due to Dunlap's failure to timely pay amounts owed to AAMCO and chronic failure to timely submit to AAMCO business reports and repair orders as required by his Franchise Agreements. When Dunlap refused to comply with the post-termination provisions of the Franchise Agreements, AAMCO initiated the lawsuit. Dunlap filed counterclaims in the law suit alleging breach of contract. Dunlap's counterclaims alleged (1) that the termination of his franchises was improper and violated the terms of his Franchise Agreements with AAMCO and (2) that AAMCO owes Dunlap certain monies associated with unpaid AON Warranty Group claims. The matter settled on July 11, 2007 with Mr. Dunlap being permitted to reopen the Portsmouth and Chesapeake centers for the limited purpose of reselling them to third parties. As part of the settlement, all of the claims and counterclaims asserted by the parties in the litigation were dismissed with prejudice. We paid no money to any party in connection with the settlement.

Sharifi v. AAMCO Transmissions, Inc. On March 22, 2007, a lawsuit was file in Texas State court against AAMCO by George Sharifi, a franchisee in Dallas, Texas. The Complaint alleged causes of action for Civil Conspiracy, Fraud and Misrepresentation, Intentional Infliction of Emotional Distress, Intentional Interference with Business Opportunities and Intentional Interference with Existing Contract. Mr. Sharifi alleged damages in excess of \$800,000. Mr. Sharifi's claims arose out of his unsuccessful attempt to conclude a transfer of his franchise to a third party. Mr. Sharifi blamed AAMCO, among others, for the failure of the transaction to be consummated. AAMCO answered the Complaint on April 19, 2007 and removed the case to the United States District Court for the Northern District of Texas on April 25, 2007. On June 28, 2007, the Court granted AAMCO's motion dismissing the action, which ended the case.

James Atkins v. AAMCO and Roger Strom. Filed June 27, 2006 in the Fourth Judicial District Court of the County of Hennepin, Minnesota. The former franchisee in Eden Prairie, MN whose franchise was terminated for numerous breaches of the Franchise Agreement, filed an action in State Court against AAMCO and a new franchisee alleging violation of the Minnesota franchise law, breach of contract, breach of implied covenant of good

faith and fair dealing, tortious interference with prospective contractual relations and seeking declaratory relief. Co-defendant Roger Strom filed a cross-claim against AAMCO alleging negligent and fraudulent misrepresentation and seeking damages in excess of \$50,000; AAMCO filed a motion to dismiss based on the arbitration clause in the Franchise Agreement which was granted on October 18, 2006.

AAMCO v. Fareed (Counterclaim). Filed April 24, 2001 in the Court of Common Pleas of Montgomery County, Pennsylvania, Case No. 01-08456. AAMCO filed to require Fareed to cease using the AAMCO name after expiration of his franchise. After AAMCO received a preliminary injunction, Fareed counterclaimed for \$300,000 alleging AAMCO breached the franchise by refusing to renew it, fraud in the inducement of the franchise, unfair trade practices in AAMCO's dealings with Fareed, and interference with an alleged contract Fareed had to sell his business before his franchise expired. AAMCO's motion to dismiss the counterclaim granted.

Stephen Maniaci v. AAMCO, et al. Filed September 24, 2003 in the Circuit Court of the Fifth Judicial Circuit for Hernando County, Florida, No. H-27-CA-2003-931-DM. After his local advertising group sued him for unpaid advertising assessments and after AAMCO sent notice of the termination of his franchise, plaintiff sued AAMCO, his local advertising group, AAMCO's attorney and others alleging a conspiracy pursuant to which AAMCO had wrongfully initiated the suit by his local advertising group, interfered with his relationship with that group and improperly terminated his franchise and breached the implied covenant of fair dealing under his Franchise Agreement. The parties entered into a settlement agreement whereby plaintiff dismissed all of his lawsuits and claims and agreed to pay AAMCO and his local advertising pool sums owing to them. AAMCO made no payment to plaintiff.

Dan and Marcia Francis v. AAMCO. Filed August 7, 2000 in the U.S. District Court for the District of Colorado, Civil Action No. 00-B-1561. Franchisee, who opened and operated a franchise location in Colorado, and his wife, sued claiming that AAMCO misled the plaintiffs about the suitability of the location of the site plaintiffs leased for operation of the franchise and, in doing so, breached Colorado's Consumer Protection and Deceptive Trade Practices Act. Pursuant to AAMCO's motion, the Court compelled arbitration in Philadelphia, Pennsylvania. Prior to the hearing, the matter was settled by payment of \$86,987 to plaintiffs and \$29,013 to their attorney.

AAMCO v. Lawrence (Counterclaim). Filed February, 2000 before the American Arbitration Association, Case No. 14 114 0024 00 C/J. AAMCO filed an arbitration action to enforce the termination of franchise and to obtain damages for breaches of the Franchise Agreement. Lawrence counterclaimed alleging improper termination and fraudulent misrepresentation in the sale of the franchise. On May 11, 2001 prior to the arbitration hearing, the parties settled the matter. No dollars were paid by ATI on the counterclaim; pursuant to a representation by Lawrence regarding her insolvency, no dollars were paid to ATI on its claims; the franchise was terminated and the center de-identified.

Ruffu v. AAMCO, et al. Filed November 19, 2002 in the Superior Court of California, County of San Diego, No. GIC 800400. A customer of an AAMCO Center in California filed a civil class action complaint alleging that AAMCO and all AAMCO Centers in California violated California's Unfair Competition and Unfair Business Practices Act and Consumer Legal Remedies Act by using deceptive practices in the sale of transmission services. AAMCO filed a motion for summary judgment seeking dismissal of all claims, including any class claims. Plaintiff subsequently withdrew all class claims, acknowledging of

record that he had failed to generate any evidence of a statewide scheme or any evidence against any AAMCO Center other than the one where he did business. The remaining claims were settled upon AAMCO's payment of plaintiff's alleged out-of-pocket damages and a portion of the attorney's fees expended in the litigation, for a total of \$68,500.

Roger Westburg, et al. v. AAMCO Transmissions, Inc. Filed November 10, 2004 in the Circuit Court, Milwaukee County, State of Wisconsin, Case No. 04-CV-009910. Franchisees who sought to cancel their Franchise Agreement without signing the standard documentation filed suit alleging promissory estoppel, violation of Wisconsin deceptive trade practices act and unjust enrichment, and seeking return of their deposit and other unspecified damages. After franchisees signed a general release, the \$10,000 deposit was returned to plaintiffs plus the sum of \$2,500. Plaintiffs filed a voluntary dismissal on January 11, 2005.

Currently Effective Injunctive Or Restrictive Orders:

States v. AAMCO Transmissions, Inc. In the States of Iowa, Louisiana, Massachusetts, Michigan, Missouri, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, Washington, West Virginia and Wisconsin, AAMCO agreed to undertake a defined standard for monitoring its franchisees in those states through categorizing and tabulating complaints received from customers of franchisees, and taking defined follow-up actions as needed. Separate judgments with identical substantive terms entered on February 18, 1987 in the trial court in the county in which the state capital is located. No findings of any violations of law were entered.

In the matter of the Agreed Case Between the People of the State of California and AAMCO Transmissions, Inc. (No. 479197) Superior Court of the State of California for the County of San Diego. A final judgment pursuant to the statement of the agreed case entered December 14, 1981 concerning advertising procedures in the State of California.

In the matter of the Application of the State of New York against AAMCO Transmissions, Inc., et al. File No. 9973 issued December 6, 1967, Supreme Court of the State of New York, County of Queens; final judgment entered by consent; judgment governs the advertising, servicing and repair of transmissions by AAMCO in the State of New York and requires AAMCO to maintain a compliance program; no findings entered.

State of Minnesota against AAMCO Automatic Transmissions, Inc., et al. File No. 638539, issued October 26, 1967, District Court for the Fourth Judicial District, State of Minnesota, County of Hennepin; permanent order entered by consent without findings; order governs the advertising, servicing and repair of transmissions in the State of Minnesota and requires AAMCO to maintain a compliance program for its franchisees.

In the matter of the State of Illinois against AAMCO Transmissions, Inc. (File No. 79-CH-3706) Circuit Court of Cook County, Illinois; finding by stipulation that AAMCO failed to provide a prospective franchisee with a copy of the required disclosure statement within the required time; judgment entered by consent August 2, 1979; AAMCO agreed to pay a civil penalty of \$2,000 and to comply with requirements of the Illinois Franchise Disclosure Act.

Civil Actions Involving the AAMCO Franchise Relationship Which We Brought During Our Last Fiscal Year Ending 12/31/07:

1. We brought the following arbitrations during 2007 against AAMCO franchisees to collect unpaid fees owed to AAMCO and/or Local Ad Pools:

AAMCO Transmissions, Inc. v. Vincent L. Merlino, American Arbitration Association Case No. 14 114 E 00793 07, filed May 22, 2007. Award in favor of AAMCO November 15, 2007.

AAMCO Transmissions, Inc. v. Stephen E. Piel and George A. Francis, American Arbitration Association Case No. 14 114 E 00810 07, filed May 23, 2007. Award in favor of AAMCO \_\_\_\_\_, 2008.

AAMCO Transmissions, Inc. v. David G. Sturgis, III, American Arbitration Association Case No. 14 114 E 01079 07, filed June 29, 2007. Award in favor of AAMCO November 16, 2007.

AAMCO Transmissions, Inc. v. James R. Anglin, American Arbitration Association Case No. 14 114 E 01221 07, filed July 27, 2007. Settlement reached September 2007.

AAMCO Transmissions, Inc. v. Rizvi M. Sally and Mohammed A. Ashroff, American Arbitration Association Case No. 14 114 E 001731 07, filed October 9, 2007. Pending.

AAMCO Transmissions, Inc. v. John Wo and Stanley Wo, American Arbitration Association Case No. 14 114 E 01733 07, filed October 9, 2007. Pending.

AAMCO Transmissions, Inc. v. Gary A. Rosen, American Arbitration Association Case No. 14 114 E 01854 07, filed October 29, 2007. Award in favor of AAMCO \_\_\_\_\_, 2008.

AAMCO Transmissions, Inc. v. Ronald D. Parker, American Arbitration Association Case No. 14 114 E 02041 07, filed December 10, 2007. Pending.

AAMCO Transmissions, Inc. v. Bijan Sharif and Jose Martinez, American Arbitration Association Case No. 14 114 E 02042 07, filed December 10, 2007. Pending.

AAMCO Transmissions, Inc. v. A. Daryl Silva, American Arbitration Association Case No. 50 114 T 00458 07, filed December 10, 2007. Pending.

AAMCO Transmissions, Inc. v. Louis R. Hebert, American Arbitration Association Case No. 50 114 T 00457 07, filed December 10, 2007. Pending.

2. We filed the following Confession of Judgment actions against AAMCO franchisees during 2007:

AAMCO Transmissions, Inc. v. Lee S. Jamison, Montgomery County Court of Common Pleas Case No. 07-14364, filed June 20, 2007.

AAMCO Transmissions, Inc. v. John A. Weldon, Jr. and Midwest Driveline Technologies, Inc., Montgomery County Court of Common Pleas Case No. 07-15732, filed June 29, 2007.

AAMCO Transmissions, Inc. v. Rizvi M. Sally and Mohammed A. Ashroff, Montgomery County Court of Common Pleas Case No. 07-18674, filed August 2, 2007.

AAMCO Transmissions, Inc. v. James J. Fisher and Fishertrans, LLC, Montgomery County Court of Common Pleas Case No. 07-18677, filed August 2, 2007.

AAMCO Transmissions, Inc. v. Vincent L. Merlino, Montgomery County Court of Common Pleas Case No. 07-26942, filed October 29, 2007.

AAMCO Transmissions, Inc. v. Gary Rosen and The Rosen Corp., Montgomery County Court of Common Pleas Case No. 07-27101, filed October 29, 2007.

Other than the matters referenced above, there is no litigation that must be disclosed in this Franchise Disclosure Document.

#### **ITEM 4. BANKRUPTCY**

On February 21, 2003, Jim Melnick and his wife filed a Bankruptcy Petition under Chapter 7 of the United States Bankruptcy Code as a result of over extended personal credit. The Petition was filed in the United States Bankruptcy Court for the Eastern District of Pennsylvania, Docket No. 0312591. The bankruptcy debts were discharged, and the matter closed, on June 3, 2003.

Other than the above, no other person previously identified in **Items 1 and 2** of this Franchise Disclosure Document has been involved as a debtor in proceedings under the United States Bankruptcy Code or proceedings of any foreign nation which is required to be disclosed under this item.

#### **ITEM 5. INITIAL FEES**

##### **1. Initial Fees.**

With the exception of licenses that we grant to operate an AAMCO Center in New Jersey, the Initial License Fee is \$39,500 and is payable in two installments: (i) a \$20,000 deposit when you submit your franchise application, and \$19,500 when you start Operator's School. You must also pay \$10,000 for the Grand Opening Operations Development (GOOD) Program which provides 5 weeks of on site training as described in **Item 11**. When an existing franchisee applies for another franchise, AAMCO charges an Initial License Fee of \$17,500.

If you buy a franchise for an AAMCO Center which you will locate in New Jersey, the Initial License Fee is \$44,500, also payable in two installments: (i) a \$23,000 deposit when you submit your franchise application, and (ii) \$21,500 when you start Operator's School. However, we give a New Jersey franchisee a credit of \$5,000 toward the Initial License Fee if you accept the Pennsylvania forum selection provisions in the Franchise Agreement. If you do, the credit reduces the Initial License Fee to \$39,500.

You must also purchase the following from AAMCO before you open your AAMCO Center for business:

Interior Design Package AAMCO Center)	\$4,500 to \$5,500 (depends on the size of your
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Exterior Design Package	\$4,000 to \$10,000 (actual amount depends on such factors as landlord and zoning requirements, permits and installation costs)
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AAMCO offers an opportunity to owners of independent transmission shops and small chains to become AAMCO franchisees. For conversion owners, AAMCO will reduce the Initial License Fee to \$17,500. Owners of an independent transmission shop participating in this program must qualify for a conversion franchise, which is at AAMCO's sole discretion. AAMCO has allowed existing Cottman Transmission franchisee to convert without the payment of an Initial License Fee. Independent repair businesses that take advantage of this conversion program may be required to update the physical appearance of and/or expand their facilities. As with all new franchises, participants in this program will be required to comply with AAMCO's Center identity program which requires that participants purchase the Exterior and Interior Design Packages referred to in **Item 7**. Whether these requirements will apply will depend on the current status of each facility applying for this program. These facilities may be given up to two years to meet all of these requirements. Owners of an independent transmission shop participating in this program must comply with our initial equipment and inventory package requirements described in this Franchise Disclosure Document.

When you sign the Franchise Agreement, you must pay us a \$5,000 security deposit which can be used by AAMCO for customer claims and sums due under the Franchise Agreement. This amount must be paid before you start Operator's Training. The security deposit will earn interest at 3% below the prime lending rate of a bank that we designate (up to a maximum of 6% per annum). Without waiving our right to declare a breach of the Franchise Agreement if you fail to pay or perform any duties under the Franchise Agreement, you authorize us to apply the security deposit to cure the default without our having to give you prior notice that of the amount debited for this purpose. You must immediately replenish the deposit to \$5,000 following notice from us. Except when you sell the AAMCO Center with our consent and the buyer assumes your warranty obligations and pays us a new security deposit, we may retain the security deposit for up to 3 years after the Franchise Agreement terminates or expires and apply the deposit towards any costs of warranty work that we or another franchisee incurs arising from warranties that your AAMCO Center originally issued. We may also use the security deposit to cover any unpaid fees or other expenses that you owe to us under the Franchise Agreement.

## 2. Conditions Regarding Refund.

All initial fees are fully earned when paid and are not refundable, except for the unused portion of the security deposit, which we will refund by no later than 3 years after the termination or expiration of the Franchise Agreement.

### ITEM 6. OTHER FEES

Column 1 <u>NAME OF FEE</u>	Column 2 <u>AMOUNT</u>	Column 3 <u>DUE DATE</u>	Column 4 <u>REMARKS</u>
Franchise Fee <sup>1</sup>	7½% of total gross sales <sup>2</sup>	Payable weekly on Tuesday of the following week	Gross sales includes all revenue from all services from the franchise location. Gross sales do not include sales tax.



<b>Column 1 NAME OF FEE</b>	<b>Column 2 AMOUNT</b>	<b>Column 3 DUE DATE</b>	<b>Column 4 REMARKS</b>
National Creative Advertising Fee	\$150 per month	Due on the 1 <sup>st</sup> day of each month	Amount determined by National Creative Committee. See Item 11.
Local Advertising <sup>3</sup>	Varies from Pool to Pool, ranges from \$200/week to \$876/week, and averages approx. \$505/week. If no active Pool, then minimum required is greater of 4% on gross sales or \$400. <sup>4</sup>	Established by franchisees in each Pool	Franchisees form a local advertising pool and determine these local advertising fees. See Item 11.
Yellow Pages Advertising	Varies; averages approx. \$1,331/month.	When billed	Paid to National Yellow Pages Agency authorized by AAMCO.
1-800-GO-AAMCO ® <sup>1</sup>	Initial connection fee of \$125. Additionally, you pay the cost of calls: USA \$.25/min; CAN \$.55/min (US \$)	When billed	See Item 11
DirecTech® DVDs and support materials; annual maintenance and support fees; and annual update fee	\$1,695 (License Fee including 1 <sup>st</sup> year support); \$98/year annual support thereafter; \$177/year annual data update	We offer installment terms for paying the License Fee of \$142/month for 12 months, or \$63/month for 36 months	Paid to us. See Items 8 & 11. See License Agreement, which is Exhibit A-10 to the Franchise Agreement (Exhibit A).
FOCUS GOLD Software and annual maintenance, support and updates	<p>New Center: \$2,499 (License Fee); \$719.95/year after first year</p> <p>New franchise owner purchasing an existing Center (resale) that uses FOCUS or Alamo software: \$499 (License Fee); \$719.95/year after first year</p> <p>Existing franchise owner purchasing another existing franchise Center (resale) that uses FOCUS or Alamo software: no License Fee; \$495/year support fee from inception</p> <p>Cottman franchisee converting to AAMCO Center: no License Fee for FOCUS GOLD software; \$495/year support fee from inception</p>	In full when billed	Paid to us. See Items 8 & 11. See License Agreement, which is Exhibit A-9 to the Franchise Agreement (Exhibit A).

<b>Column 1 NAME OF FEE</b>	<b>Column 2 AMOUNT</b>	<b>Column 3 DUE DATE</b>	<b>Column 4 REMARKS</b>
Express Cash Processing Fee <sup>1</sup>	Currently 1.75% of central billed, national fleet account approved repair order amount; participating Centers only <sup>5</sup> , [amount subject to change based on prime rate and number of participating Centers]	Fee deducted from payment	Enables participating Centers to receive payment within 5 business days
Signs or Sign Rent <sup>1</sup>	Invoiced amount <sup>6</sup>	30 days, net <sup>8</sup>	See Note 6.
Equipment & supplies <sup>1</sup>	Invoiced amount	30 days, net <sup>8</sup>	These terms are for purchases made on an ongoing basis
Security Deposit <sup>1</sup>	\$5,000	At the start of Operator's School	See footnote 7 and Item 11.
Transfer <sup>1</sup>	\$6,000	Before the transfer is completed	Payable when you sell your AAMCO Center. No charge to add partners, a corporation, or an LLC which you control.
Audit <sup>1</sup>	Amount underpaid, all expenses of audit, 18% interest per year on underpayment calculated from the date franchise fees should have been paid to the date of actual payment and three times the underpayment plus interest as liquidated damages.	When billed	Payable only if audit shows an understatement of at least 2% of gross sales. The payment of liquidated damages in the event of an underpayment of fees is in addition to other remedies that may be available to us on account of your breach of the Franchise Agreement.
Intershop Warranty Work <sup>9</sup>	Costs of parts, etc. used by other franchisees for warranty work, plus an amount based on either an hourly rate for labor or a flat fee.	Immediately to the other AAMCO Center for honoring a customer's warranty.	See Item 8 and Section 14.2 of the Franchise Agreement.
Interest and Late Fees <sup>1</sup>	18% per year \$10 per week	When billed	You must pay interest of 18% per year (1½% per month) on any outstanding balance under the Franchise Agreement; you must pay a late fee of \$10 per report, per week for any weekly business report that is late.
Training Fee for purchasers of existing Centers <sup>1</sup>	\$3,000	Before start of Operator's School	Purchasers of existing AAMCO Centers must pay for training.

<b>Column 1 NAME OF FEE</b>	<b>Column 2 AMOUNT</b>	<b>Column 3 DUE DATE</b>	<b>Column 4 REMARKS</b>
Web Page Fee	\$35/year	Annually, on the date when we submit the URL	See Note 10.
National or Regional Advertising Fee	None at this time; if we impose a National or Regional Advertising Fee, we will determine the amount according to a reasonable formula	Upon no less than 30 days written notice from AAMCO. Our notice will specify the amount, frequency of payment and other payment terms.	See Note 11

1. These fees are imposed by and are payable to AAMCO. The fees that we describe in this **Item 6** are non-refundable. At this time, we impose fees uniformly. However, we retain discretion to reduce fees in individual cases in our discretion. We require you to remit all fees to us through electronic funds transfer from a bank account that you designate following the procedures set forth in the Franchise Agreement. (Franchise Agreement, section 17(c)).
2. Except as stated in **Item 5**, the Franchise Fee for new Centers is 7½%. Purchasers of some existing AAMCO Centers may be eligible, for a limited time for a 5% Franchise Fee, depending on the contractual arrangement of the selling franchisee.
3. These fees are paid to the Local Advertising Pool.
4. If there is no local advertising Pool or the local advertising Pool votes not to implement an advertising buy, then you must spend weekly a minimum amount for local advertising in your area or pay AAMCO a continuing advertising fee weekly. If your AAMCO Center is in one of the top 20 markets as determined by A.C. Nielsen, the amount you must spend weekly or alternatively, the continuing advertising fee, paid to AAMCO is equal to the greater of 5% of your gross receipts or \$500. In all other markets, the weekly amount is equal to the greater of 4% of gross receipts or \$400. If paid to AAMCO, this fee is due by Tuesday along with the franchise fee. The fee is non-refundable. This advertising obligation will not apply to franchisees in the System as of October 1, 2006 who are members of an active Pool and who are approved for an additional AAMCO Center.
5. In 2004, AAMCO introduced the AAMCO Express Cash Program which enables participating AAMCO Centers to receive payment for central billed national fleet accounts within five business days after submission of the required paperwork. If you decide to participate, you agree to pay AAMCO a processing fee, which currently is 1.75%, of the amount approved for payment by the AAMCO national fleet account. The amount of processing fee is dependent upon the Prime Rate and the number of AAMCO Centers participating in the Program; the amount of the processing fee can be increased if the Prime Rate increases. AAMCO may not change the processing fee more than once per calendar quarter.
6. You are required to purchase the exterior signs from AAMCO. The typical required sign survey, purchase and installation ranges from \$4,000 to \$10,000 depending on factors such as design, landlord and/or zoning requirements. Some franchisees who entered

into their Franchise Agreements before July 2006, purchased the AAMCO signs through an installment sale contract with an approximate cost of \$100 per quarter for 15 years.

7. If AAMCO uses your security deposit, you must contribute whatever sum is required to return the amount of the security deposit to the required \$5,000.
8. You must pay the invoiced amount within 30 days.
9. These fees are imposed by AAMCO and payable to other AAMCO Centers.
10. To maintain uniformity in the AAMCO System, we forbid you to establish a web site or internet address (top line domain name) for your AAMCO Center unless AAMCO obtains it and own the internet address and top line domain name or URL. AAMCO will charge you an annual fee for maintaining the top line domain name which currently is \$35 per year, which AAMCO pays to an outside vendor. This charge is independent of web site development or hosting fees that you may pay to a third party.
11. Under Section 11.3 (a) of the Franchise Agreement, if we implement advertising programs in the future that are national and/or regional in scope, you must pay a reasonable National or Regional Advertising Fee which we will determine according to reasonable formulas. We will give you written notice of the amount, frequency of payment and other payment terms.

[END OF PAGE]

**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Column 1 TYPE OF EXPENDITURE</b>	<b>Column 2 AMOUNT</b>	<b>Column 3 METHOD OF PAYMENT</b>	<b>Column 4 WHEN DUE</b>	<b>Column 5 TO WHOM PAYMENT IS TO BE MADE</b>
INITIAL LICENSE FEE	\$39,500 (Note 1)	Installments	(Note 2)	AAMCO
GOOD TRAINING (ON SITE TRAINING See Item 11)	\$10,000	LUMP SUM	First day of Training Class	AAMCO
TRAVEL AND LIVING EXPENSES WHILE TRAINING	\$2,100 to \$4,000 (Note 3)	As incurred	Before and during training	Airlines, hotels and restaurants
REAL ESTATE DEPOSIT	\$3,500 to \$8,000 (Note 4)	(Note 4)	(Note 4)	(Note 4)
LEASEHOLD IMPROVEMENTS	\$8,500 to \$15,900 (Note 5)	As incurred	Before opening	Suppliers, vendors, etc.
SIGNS/EXTERIOR DESIGN PACKAGE	\$4,000 to \$10,000 (Note 6)	Lump Sum	As incurred	AAMCO
OFFICE/INTERIOR PACKAGE	\$3,169 to \$3,594 (Note 7)	Lump Sum	As incurred	AAMCO
SHOP EQUIPMENT, TOOLS, SUPPLIES & INSTALLATION	\$68,714 to \$78,714 (Note 8)	As incurred	Before opening	AAMCO or local vendors
TECHNICAL REFERENCE MATERIALS	\$5,703 (Note 9)	As incurred	Before opening	AAMCO or local vendors
REQUIRED OFFICE & SHOP MATERIAL, POSTERS, COMPUTER SYSTEM & SOFTWARE	\$7,219 (Note 10)	As incurred	As incurred	Local vendors
MISCELLANEOUS OPENING COSTS	\$9,000 to \$12,900 (Note 11)	As incurred	As incurred	Suppliers, utilities, etc.
INITIAL PARTS AND INVENTORY	\$2,000 (Note 12)	As incurred	Before opening	AAMCO or vendors

Column 1 TYPE OF EXPENDITURE	Column 2 AMOUNT	Column 3 METHOD OF PAYMENT	Column 4 WHEN DUE	Column 5 TO WHOM PAYMENT IS TO BE MADE
SECURITY DEPOSIT	\$5,000 (Note 13)	Lump Sum	Start of Operator's School	AAMCO
GRAND OPENING ADVERTISING - Optional	\$2,000 (Note 14)	Lump Sum	Start of Operator's School	AAMCO
ADVERTISING COSTS – 3 Months	\$4,436 to \$15,831 (Note 15)	As incurred	Weekly or monthly	AAMCO, local advertising Pool and Yellow Page agency
ADDITIONAL FUNDS - 3 Months	\$30,000 to \$40,000 (Note 16)	As incurred	As incurred	Employees, suppliers, landlord, utilities
TOTAL	\$204,841 to \$260,361 (Notes 17 & 18)	(Does not include real estate costs if you are purchasing the property.)		

#### NOTES:

Initial Investment Expenses - Refund Conditions. The Initial License Fee is non-refundable. See **Item 5**. The security deposit that you pay to the landlord for the premises lease or as part of any equipment lease may be refundable at the end of the lease under the conditions set forth in the lease. Otherwise, none of the initial investment payments are refundable unless you negotiate for refund terms with the third party supplier. We make no representation regarding your ability to obtain refund terms with third parties with which you deal in establishing your franchise business.

1. Our **Item 7** chart assumes that you are a new franchisee buying a franchise for a location outside of New Jersey. If you are an existing franchisee purchasing an additional franchise, AAMCO charges an Initial License Fee of \$17,500. Also, if your AAMCO Center will be located in New Jersey, the Initial License Fee is \$44,500; however, you may be eligible for a \$5,000 credit, which would reduce the Initial License Fee to \$39,500. See **Item 5**.
2. You pay the Initial License Fee in two installments. See **Item 5**.
3. Travel and living expenses may include airfare, lodging, car rental, utilities and meals.
4. If you decide to rent a location, you will pay monthly rental to your landlord and possibly other sums required under your lease. Monthly rent may range from \$3,000 to \$8,000, depending on factors like size, condition and location of the rented premises. You will typically be required to pay your landlord at least one month's security deposit. Some landlords may require additional deposits. You may need to make and pay for leasehold improvements. If you decide to buy the land and building for your AAMCO Center, the cost to purchase will vary depending on the locality, size and condition of the building. AAMCO Centers can have approximately 3,000 to 5,000 square feet with a minimum of

- 4 lifts and are located in commercial areas on a main or secondary street. Of course, if you buy a building, instead of paying rent, you will pay a loan secured by a mortgage on the building and land. These payments will vary, depending on amount financed, length of the loan and rate of interest you are able to obtain. If you choose to design and construct your Center, the final cost of construction will vary depending on factors such as land acquisition cost, size and type of building, and construction materials used.
5. Amount includes costs for electrical work. Interior Design Package installation, painting, furnishings and leasehold improvements. This estimate does not include any structural changes.
  6. AAMCO has created an identity system for all AAMCO Centers that covers all aspects of a Center's appearance, both inside and outside. AAMCO will provide you with specifications for signs and paint colors. You must buy your signs and certain furnishings from AAMCO. See Note 7. You may acquire the other items from various vendors. You are required to comply with our Center identity program.
  7. This includes point of sale displays, chairs and furnishings, service cubicle and counter, posters, banners, etc.
  8. The cost varies depending on the quantity and type of equipment you choose to purchase for your Center. The estimate provides you with the basic equipment to operate a six bay Center starting with five lifts as well as cost of installation of the lifts. The estimate also includes optional, suggested equipment some of which you may decide to purchase depending on the services you provide and/or the geographic location of your Center. AAMCO may adjust the cost to reflect increases from suppliers before the actual shipment of the equipment. AAMCO charges a 15% restocking fee on all returned items.
  9. You must purchase the ALL DATA, DirecTech®, Technical DVD Training and Technical Reference Materials and other instructional materials that we require. You must enter into a written license agreement with us for AAMCO DirecTech® a copy of which we attach as **Exhibit A-10** to the Franchise Agreement.
  10. The amount includes a license to use AAMCO's FOCUS GOLD (or its equivalent) software, which includes the first year's support and maintenance. The license and support fee for the FOCUS GOLD software depends on your status (i.e., whether you are converting a Cottman Center to an AAMCO Center, purchasing an existing AAMCO Center on resale from a franchisee or are a new franchisee. See **Item 6**. You must enter into a written license agreement with us for FOCUS GOLD, a copy of which we attach as **Exhibit A-9** to the Franchise Agreement. You will also need to purchase a minimum of two personal computers and two printers, along with peripherals, the cost of which will vary depending on the system and supplier you choose. You also need a fax machine, 20" TV and DVD/VCR Combo.
  11. Amount includes security deposits, insurance, utility deposits, recruitment, pre-opening personnel, professional and business license fees and insurance.
  12. The estimate provides a basic inventory package sufficient to begin operation of your Center. You may decide to supplement the items through locally purchased parts and inventory.

13. The security deposit is required under your Franchise Agreement and will earn interest. See **Item 5**.
14. AAMCO recommends that you purchase the optional Grand Opening Advertising Package.
15. Amounts include 3 months of National Creative Advertising Fees at the rate of \$150 per month, 13 weeks of estimated weekly payments to your local advertising pool which may range from \$200 per week to \$876 per week, with an average of approximately \$505 per week; and, 3 months of Yellow Pages advertising, with an average of \$1,331 per month. (See **Item 11**.)
16. This estimates your expenses for the initial period, which AAMCO estimates will be the period through the end of your first 3 months after opening. These expenses include payroll costs, parts, rent, loan payments, commissions, owner's salary or draw, insurance and other business items. These figures are estimates and AAMCO cannot guarantee that you will not have additional expenses to start the business or need additional working capital. Often new businesses generate a negative cash flow. Loan interest and depreciation are not included. Your costs will depend on factors like how much you follow AAMCO's methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the services you offer; the prevailing wage rate; competition; and the sales level that you reach during the initial period.
17. To compile these estimates, AAMCO has relied on decades of business experience in awarding franchises for transmission and automotive repair centers. AAMCO has obtained many of the estimates from its franchisees, who are independent business people. AAMCO has not independently verified the expense information supplied by AAMCO franchisees. You should review these figures carefully with a business advisor before you make any decision to purchase this franchise.
18. The figures for the estimated initial investment are applicable to new Centers only. If you purchase an existing Center, the amount of your initial investment will depend on your negotiations with the selling franchisee to whom you will pay the purchase price for the business assets and goodwill.

## **ITEM 8.**

### **RESTRICTION ON SOURCES OF PRODUCTS AND SERVICES**

#### **1. Obligations to Purchase or Lease Generally.**

AAMCO determines all standards, specifications and requirements for the equipment, including diagnostic and technical equipment, supplies, parts, and assembly sets, that you may use in your AAMCO Center or sell to customers. With our prior written approval, you may purchase these items from any source if we determine that the proposed supplier is reliable and the items conform to our standards and specifications. We identify our standards and specifications and our recommended or approved suppliers in our Operator's Manual or otherwise in writing. We may change these standards, specifications and requirements from time-to-time and modify our list of recommended or approved suppliers and will notify you of all changes. You must make any additional purchases of equipment and/or supplies needed to comply with such updated requirements reasonably promptly after we inform you of a change.



We estimate that purchases of equipment, signs, supplies and inventory meeting our specifications from suppliers that we recommend or approve will be approximately 94% of your total purchases in connection with the establishment and opening of your Center and approximately 48% of your monthly operating expenses.

If you want us to approve a supplier whom we do not currently recommend, the proposed supplier must submit its parts, assembly sets or other products or supplies to us for our review so that we may determine if the item or product meets AAMCO's specifications. AAMCO's review may be conducted through or with Transtar Industries, Inc. ("Transtar Industries"), an independent worldwide distributor of original equipment quality transmission parts to the motor vehicle repair industry with headquarters in Cleveland, Ohio. This review includes a thorough examination of the product and testing to determine the product's fitness, which may include actual field testing and comparison of the product to similar products that we specify. This review, for which there is no charge, usually takes 45-60 days. AAMCO also has a designated supplier program for branded supplies and parts with Transtar Industries that we describe below.

We do not provide material benefits (for example, renewal or granting additional franchises) to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

To maintain uniformity in the AAMCO System, we forbid you to establish a web site or use an internet address (top line domain name) for your AAMCO Center that includes any of the AAMCO trademarks. We own AAMCO web site and top line domain name. We charge you an annual fee to maintain the top line domain name, which currently is \$35 per year which AAMCO pays to an outside vendor. See **Item 6**.

## **2. Revenue From Required Purchases or Leases By Franchisees.**

As we disclose in this **Item 8**, you may buy initial and ongoing equipment, inventory, signs and supplies directly from AAMCO. In 2007, our revenue from the sale of initial and ongoing equipment, inventory, signs and supplies to AAMCO franchisees was \$2,884,911 or 59.7% of AAMCO's total revenues of \$4,833,838 from our Parts Division, which handles the sale of these items to AAMCO franchisees. In this **Item 8**, we refer to the figures of \$2,884,911 and 59.7% respectively as the "2007 Revenue" and "2007 Percentage Revenue" from transactions with AAMCO franchisees.

We include your AAMCO signs as part of the Exterior Sign Package which you must purchase either from us or our approved supplier. The current cost of the Exterior Sign Package ranges from \$4,000 to \$10,000 depending on the size and type of sign suitable for your location. Some franchisees who entered into their Franchise Agreements before July 2006 purchased their AAMCO signs under an installment sale contract with an approximate cost of \$100 per quarter for a fifteen-year period. In 2007, AAMCO's revenue from the sale of Exterior Sign Packages to franchisees was \$222,288.03. We include this amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

AAMCO, prior to 2008, the National AAMCO Dealers Association ("NADA") and Transtar Industries had a licensing arrangement which allowed Transtar Industries to sell AAMCO-branded transmission kits exclusively to AAMCO franchisees under what we refer to as the AAMCO Dealers Preferred Parts Program. The terms of this business relationship are in the process of being renegotiated, however, many of the benefits of this program to franchisees are expected to remain unchanged. Under the AAMCO Dealers Preferred Parts Program,

franchisees may buy AAMCO-branded automatic transmission parts as well as standard transmission kits, flywheels and hardware and other shop supplies directly from Transtar Industries. You may buy your operating inventory, parts and transmission assembly sets through the AAMCO Dealers Preferred Parts Program or from any supplier capable of furnishing parts and assembly sets meeting our specifications. Prior to 2008, under the AAMCO Dealers Preferred Parts Program, AAMCO and NADA together receive compensation from Transtar Industries equal to 3% of Transtar Industries' product sales to our franchisees. In 2007, AAMCO's received revenue of \$384,115 from Transtar Industries on account of product sales to AAMCO franchisees under the AAMCO Dealers Preferred Parts Program. We include this amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

AAMCO and NADA have an agreement with AutoZone, Inc. that designates AutoZone as our primary supplier for automotive repair and replacement parts and other supplies for AAMCO Centers participating in AAMCO Complete Car Care. Our arrangement with AutoZone provides advantageous pricing and delivery terms for AAMCO Centers which choose to participate. This is an optional program and AAMCO Centers participating in AAMCO Complete Car Care may buy parts and supplies from any source so long as they meet our quality standards. AAMCO and NADA together receive compensation equal to 4% of AutoZone's product sales. In 2007, AAMCO received revenue of \$82,456 from AutoZone, which we include in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

AAMCO and International Lubricants, Inc. (ILI) have a licensing arrangement which allows ILI to sell AAMCO-branded transmission protectant, general purpose lubricant and power steering protectant to mass merchandisers, automotive retailers and automotive parts stores. You do not have to offer or buy these products for use or sale in your AAMCO Center. AAMCO receives compensation from ILI equal to 6% of ILI's product sales to franchisees. In 2007, AAMCO received no revenue from ILI.

You must buy your AAMCO diagnostic forms and repair order forms from AAMCO. We also offer to sell you stationery and other supplies, including promotional items and AAMCO customer reception procedure forms. In 2007, AAMCO's revenue from the sale of AAMCO diagnostic forms, repair order forms, stationery and supplies, promotional items and AAMCO customer reception procedure forms was a total of \$192,067. You must also buy AAMCO's Technical Training Videos and DVDs from AAMCO. In 2007, AAMCO's revenue from the sale of Technical Training Videos and DVDs was \$40,404. We include these amounts in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

Starting January 1, 2008, AAMCO licenses the use of AAMCO's FOCUS GOLD™, a specialized software program which you must use in operating your Center. FOCUS GOLD™ will operate on a standard business computer (see minimum specifications in Appendix A.) We require that you purchase a license to use this software system and subscribe to annual maintenance and support, the cost of which depends on your status at the time you become our franchisee. See **Item 6**. FOCUS GOLD software enables you to track your leads, work flow and pricing, and also performs accounting functions and prepares and prints all repair orders and reports required for the operation of your AAMCO Center. You will be given more detailed information on using FOCUS GOLD during Operator's Training School. Before 2008, AAMCO licensed an earlier software version called AAMCO FOCUS™. In 2007, AAMCO's revenue from franchisees for the use of AAMCO FOCUS™ was \$399,082. We include this

amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

We also provide each AAMCO Center with a copy of DirecTech®, a proprietary DVD system that includes textual support materials that supply complete diagnostic and repair information primarily in electronic format to enable AAMCO Centers to deliver complete transmission and automotive repair services to their customers more efficiently. You pay us an initial cost for use of DirecTech® technology solution of \$1,695 and thereafter annual support and data update fees of \$98 and \$177 respectively. (See **Item 6**.) In 2007, we received AAMCO's revenue of \$181,957 from franchisees for use of our DirecTech® software product. We include this amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

Accel Advertising, Inc., our affiliate, served as an in-house advertising agency during part of 2007. Franchisees had the option of placing their advertising through Accel Advertising, Inc. In December, 2007, Accel Advertising, Inc. ceased providing advertising agency services. In 2007, Accel Advertising, Inc. received revenue of \$840,734 on account of transactions with AAMCO franchisees. We include this amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**. Beginning in January 2008, AAMCO established a business referral relationship with Harmelin Media ("Harmelin"). Pursuant to the relationship, AAMCO acts as a liaison between Harmelin and individual AAMCO Ad Pools for the procurement of media service, provides creative and marketing support and collections support. Franchisees and AAMCO Ad Pools may, but are not required to, place advertising through Harmelin. In exchange for the services provided to Harmelin by AAMCO, AAMCO will receive a commission ranging from 5% to 6.5% on media placements made by franchisees or AAMCO Ad Pools with Harmelin. AAMCO did not receive any revenue from Harmelin in 2007.

At this time, you must place your Yellow Pages advertising through our national Yellow Pages program, which is administered by an outside advertising agency, Hutchins/DAC Group LLC. Since May 9, 2007, AAMCO has received revenue from Hutchins/DAC Group LLC on account of its Yellow Pages, Internet advertising or other media placements for AAMCO Centers. Under our current arrangement, Hutchins/DAC Group LLC pays us 6% of the revenue it receives from AAMCO Centers for media placements during a Center's first year of operation, and 3% of the revenue it receives from AAMCO Centers for media placements after a Center's first year of operation. The revenue compensates us for our assistance in planning and formulating Hutchins/DAC Group LLC's media buys for AAMCO Centers. In addition, since May 9, 2007, AAMCO has been entitled to receive from Hutchins/DAC Group LLC a 15% commission on any delinquent amounts owed to Hutchins/DAC Group LLC that we collect. In 2007, Hutchins/DAC Group LLC paid us total revenue of \$39,721. We include this amount in the 2007 Revenue and 2007 Percentage Revenue figures that we disclose in this **Item 8**.

Our affiliate, American Driveline Communications, owns the right to the telephone number for your AAMCO Center and may transfer the telephone number upon termination. AAMCO may also remove, transfer or suspend the telephone number for certain uncured breaches of the Franchise Agreement without compensation to you, except that this right will not apply to franchisees in the System as of October 1, 2006 who are approved for an additional Center. See Franchise Agreement, section 10 and the Telephone Number Use Agreement, **Exhibit C** to the Franchise Agreement. You must pay the telephone company's connection and service charges. You may not make any changes to the AAMCO telephone numbers, account or local service provider. AAMCO may receive and retain commissions

earned as a result of placing your telephone service. In 2007, American Driveline Communications received no revenue from franchisees.

3. AAMCO Warranty Program.

You agree to participate in AAMCO's warranty program by honoring all AAMCO Center warranties and service agreements wherever issued and to comply with all program policies and procedures. You are required to reimburse other AAMCO dealers who do warranty repairs for your customers and you are reimbursed by other AAMCO dealers when you do warranty work on their customers' vehicles. We determine the reimbursement rate. You may not extend any other warranties to your customers for work that you perform or with respect to parts that you sell or install. (Franchise Agreement - Sections 14.1, 14.2 and 14.3)

4. Insurance.

You agree to purchase insurance against all types of public liability, for example, garage liability, garage keeper's legal liability, garage keeper's direct primary coverage and workers' compensation insurance. You must also provide coverage for AAMCO and American Driveline Systems, Inc. as additional named insureds. The amounts of coverage required is no less than \$1,000,000 per occurrence, bodily injury and property damage combined.

You may purchase this insurance from any source. AAMCO has an agreement with Lockton Risk Services, Inc. under which it offers an insurance program to AAMCO franchises and AAMCO receives a marketing fee of 1% to 2% of the premiums depending on the type of insurance placed through this program. In 2007, AAMCO received \$1,822 in revenue from Lockton Risk Service, Inc.

5. Purchasing Assistance.

There are no purchasing or distribution cooperatives at this time. Except as we disclose in this **Item 8**, AAMCO does not negotiate purchase arrangements with suppliers for the benefit of franchisees.

6. Ownership Interests in Supplier.

At this time, no officer of our company owns an interest in any required, recommended or approved supplier.

[END OF PAGE]

**ITEM 9.  
FRANCHISEE'S OBLIGATIONS**

This table lists your principal obligations under the franchise and other agreements. It will help you to find more detailed information about your obligations in these agreements and in other items of this disclosure document.

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Sections 1.2, 4, 6.1, 8 of Franchise Agreement; Lease Rider	Items 6, 7 and 11
b. Pre-opening purchases/leases	Sections 2, 5.3, 8, 9.1, 9.2, 9.3, 9.5 of Franchise Agreement	Items 6, 7 and 11
c. Site development and other pre-opening requirements	Sections 1.2, 4, 8, 9.1, 9.2, 9.3, 9.5 of Franchise Agreement; Lease Rider	Items 6, 7 and 11
d. Initial training, GOOD training and ongoing training	Sections 1.1, 3.3, 5.1, 5.2, 7.1, 7.2, 8, 19.1 of Franchise Agreement	Item 11
e. Opening	Sections 1.2, 2, 4, 5.1, 5.2, 5.3, 7.1, 8 of Franchise Agreement	Items 7 and 11
f. Fees	Sections 2, 5.3, 8, 10, 14.2, 17, 18.2 of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Operator's Manual	Sections 5.1, 5.2, 5.3, 7.1, 7.2, 8, 9.1, 9.2, 9.3, 9.5, 14.1, 14.2, 14.3, 16, 20 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Sections 1.1, 7.1, 7.2, 8, 9.5, 13.1, 13.2, 13.3, 15, 20 of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 1.2, 5.1, 5.2, 7.1, 7.2, 8, 14.3, 16 of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Sections 5.1, 5.2, 5.3, 8, 9.4, 14.1, 14.2, 14.3, 19.2 of Franchise Agreement	Item 11
k. Territorial development and sales quotas	Sections 1.1, 1.2, 6.2, 8 of Franchise Agreement	Item 16
l. Ongoing product/service purchases	Sections 5.2, 7.1, 7.2, 8, 9.1, 9.3 of Franchise Agreement	Item 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 1.1, 4, 5.1, 5.2, 8, 9.5 of Franchise Agreement	Item 7 and 11
n. Insurance	Sections 12.1, 12.2 of Franchise Agreement	Items 6 and 8

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
o. Advertising	Sections 8, 10, 11.1, 11.2, 11.3, 18.2 of Franchise Agreement	Items 6, 7 and 11
p. Indemnification	Sections 12.1, 12.2, 12.3 of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Introduction, Sections 5.1, 5.2, 7.1, 7.2, 8, 12.3, 18.1, 24 of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 7.1, 8, 10, 15, 17 of Franchise Agreement	Item 6
s. Inspections/audits	Sections 8, 10, 15, 17, 19.1 of Franchise Agreement	Item 6 and 11
t. Transfer	Sections 8, 17, 18.1, 18.2, 18.3, 19.1 of Franchise Agreement	Item 17
u. Renewal	Sections 3, 19.1, 19.2 of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 19.1, 19.2, 20 of Franchise Agreement	Item 17
w. Non-competition covenants	Sections 19.1, 19.2, 20 of Franchise Agreement	Item 17
x. Dispute resolution	Sections 21, 23, 26.1, 26.2, 26.3, 27, 28 of Franchise Agreement	Item 17

## ITEM 10. FINANCING

As a standard practice, AAMCO does not guarantee your note, lease or other obligations.

At your request, AAMCO will assist you in obtaining financing.

AAMCO is listed on the SBA's Franchise Registry as complying with SBA's franchise eligibility guidelines. The Registry allows franchisees to enjoy the benefits of a streamlined review process for SBA loan applications. AAMCO does not receive any direct or indirect payments for placing SBA guaranteed financing.

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

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

Before you open your business, AAMCO will:

1. Make recommendations for a suitable location. AAMCO will also review and approve your site application for a new Center. In this approval process, AAMCO considers demographics, vehicle populations, neighboring uses, physical characteristics of the location, including building size and suitability and access to traffic. Your site must have at least 4 lifts and approximately 3,500-4,000 square feet and sufficient parking spaces for customers. If you lease, AAMCO will assist in lease negotiations. (Franchise Agreement -- sections 4 and 6.1) See additional disclosures regarding site selection in this **Item 11**.
2. Give you specifications for all required and replacement equipment, inventory and supplies. (Franchise Agreement -- sections 9.1, 9.2 and 9.3)
3. Sell you an AAMCO sign. (Franchise Agreement -- section 9.5)
4. Assist in the layout of your Center and the installation of equipment.
5. Sell you the required equipment, supplies and other materials, if you want to buy them from or through AAMCO, although you may buy these items from other suppliers if they comply with AAMCO's specifications for these items. (Franchise Agreement -- sections 9.1, 9.2 and 9.3) See **Item 8** for more details.
6. Sell you a copy of our FOCUS GOLD software program. See additional disclosures in this **Item 11**.
7. Allow you to use our proprietary DirecTech® DVD providing detailed information regarding service and repair procedures, specifications, schematics and illustrations for the repair of automotive transmissions following our specifications. (Franchise Agreement -- section 5.2.(b); DirecTech® License Agreement, Exhibit A-10 to the Franchise Agreement)
8. Train you and any other person who signs the Franchise Agreement with you at AAMCO's Operator's School and the GOOD program. (Franchise Agreement -- section 5.1 and 6.1). See additional disclosures in this **Item 11**.
9. Assist you in finding and evaluating personnel. (Franchise Agreement -- section 6.1)
10. Furnish you with a copy of our current parts catalogues, and instructional and training materials to provide guidance in the methods, procedures and techniques of operating an AAMCO Center. (Franchise Agreement -- section 6.1)
11. Lend you a copy of the Operator's Manual, which contains policies and procedures. This manual also contains proprietary and confidential information. AAMCO can modify or update the manual, but the modifications or updates will not alter your status and rights under the Franchise Agreement. (Franchise Agreement -- section 7) The Operator's Manual table of contents is:

AAMCO Service Program Introduction	2
Common AAMCO Center Terms	2

AAMCO Telephone Procedure	14
Daily Customer Register	2
Customer Reception Procedure	6
TRANSCAN Manual	80
Service Recommendation Procedures	3
Overcoming Objections	5
Service Standards	13
Car Delivery	12
Intershop	24
Complete Customer Satisfaction	12
Consumer Affairs	3
Manual Transmission Procedures	13
Technical Services	75
Parts	4
Outside Sales Program	*
National Fleet Accounts	*
Advertising	38
CSM Recruiting	11
Coaching for Improved Work Performance -	
Ferdinand Fournies Book	*
Accounting	*
Achieving Center Profitability	*
How to Write Up a Repair Order	*
AAMCO Home Office Directory	1
AAMCO Center Directory	80
TOTAL PAGES:	400

\*Materials on this subject will be distributed during our initial training program.

During the operation of your Center, AAMCO will:

1. From time to time, provide you with business information, literature and materials to assist in improving the operations of your Center.
2. Advise and consult with you during usual business hours on matters relating to the operation of your Center.
3. Advise you of any new developments or improvements in the AAMCO System.
4. Assist you by providing technical consulting services via telephone, online and in various media, including print, electronic and DVD.
5. Assist in the design of advertising promoting the business and services of AAMCO Centers.
6. Make available to you AAMCO's experience, guidance and counseling about national, regional and/or local advertising in electronic and/or print media.
7. Provide you with advice and assistance in customer relations through staff located in AAMCO's home office and reached by a toll-free telephone number.



8. Offer continuing training opportunities from time to time for you and your employees. You are responsible for all expenses incurred as part of this additional training. See additional disclosures in this **Item 11**.

9. Provide you any updates to the Operator's Manual. (Franchise Agreement -- section 7)

10. Maintain a 1-800-GO-AAMCO® computerized Center locator service that connects retail customers to their local AAMCO Center. See additional disclosures in **Item 6** and in this **Item 11**.

11. Offer you the opportunity to participate in our national fleet accounts program. Participation is optional. If you choose to participate, you must perform repair work for fleet account customers at the prices and on the warranty and other terms and we have previously negotiated with the fleet account customer. We manage fleet accounts through a centralized billing system. (Franchise Agreement, section 16)

#### Advertising Services:

You must pay a National Creative Advertising Fee which is used to create television and radio commercials and secure endorsements or other national affiliations for your use and use by all AAMCO Centers. See **Item 6**. Our National Creative Committee determines the amount of the National Creative Advertising Fee, selects the advertising agency and approves the commercials made. The National Creative Committee has 15 members. The National Creative Committee consists of the President of NADA, 3 representatives from AAMCO's management selected by AAMCO and 11 franchisees elected for four year terms by existing member of the National Creative Committee. Because AAMCO selects only 3 of 15 member of National Creative Committee, AAMCO cannot change the National Creative Committee. The Chairman of National Creative Committee is always an AAMCO franchisee.

AAMCO collects National Creative Advertising Fees from each AAMCO Center on behalf of the National Creative Committee, which is the source of revenue for the National Creative Advertising Fund. AAMCO deposits National Creative Advertising Fees into a separate bank account, which is administered by the National Creative Committee. The National Creative Committee must spend National Creative Advertising Fees solely on advertising and promotion of the AAMCO name and of goods and services sold under the AAMCO name. AAMCO's Financial Services Department provides accounting and administrative services to the National Creative Committee. The National Creative Advertising Fund is audited bi-annually by an outside accounting firm. You may obtain a copy of the bi-annual audited financial statement from the Chairman of National Creative Committee. While AAMCO has in the past advanced funds to the National Creative Committee at the Committee's request without interest, it has no obligation to loan money to the National Creative Committee on any terms.

During our last fiscal year ending 12/31/07, the National Creative Committee spent an amount equal to 122% of the revenue that it collected during 2007 on the production of advertisements and other promotional materials; 12.3% on marketing and consumer studies; and 11.4% for general and administrative expenses. Even though AAMCO had no obligation to do so, AAMCO advanced funds to the National Creative Committee during 2007, which accounts for why the National Creative Committee spent more funds in 2007 than it collected from AAMCO Centers. The National Creative Committee intends to repay AAMCO the amount

of these advances during future accounting periods, without interest. AAMCO does not receive any money from the National Creative Advertising Fund other than reimbursement of documented out-of-pocket expenses that AAMCO incurs in providing accounting and administrative services to the National Creative Committee and repayment of advances. No portion of the National Creative Advertising Fund is used to sell additional franchises.

Once your Center opens, you must participate in the local advertising pool or cooperative established in the Designated Market Area (DMA) where your Center is located. Your local advertising pool will buy the air time for the commercials created by National Creative Committee which usually is on local television and/or radio. **Item 6**, under the heading "Advertising Fees and Expenses," describes the amount of your contribution to the local advertising pool. Each local advertising pool determines the amount of contribution for advertising costs, and assesses and collects payments from the franchisees in that Pool.

Each local advertising pool adopts written governing documents which vary depending on how the Pool is formed or organized. You can obtain a copy of the governing documents of the local advertising pool (if one has been established) for your DMA upon request. (See **Exhibit A-8** for a sample local advertising pool agreement.) Each local advertising pool determines its own voting procedures. The members of each local advertising pool and their elected officials are responsible for the administration of the pool. AAMCO recommends that each Pool prepare financial statements on an annual basis and that the Pool make the statements available to all franchisees in that local advertising pool.

If your Center is not located in a DMA or is the only Center in the DMA or a majority of the Centers in the DMA do not implement a local advertising buy and budget or do not have a locally administered advertising pool, then you must spend weekly a minimum amount for local advertising in your area or pay AAMCO a continuing advertising fee weekly. If your AAMCO Center is in one of the top 20 markets as determined by A.C. Nielsen, the amount you must spend weekly, or, alternatively, the continuing advertising fee paid to AAMCO is equal to the greater of 5% of your gross receipts or \$500. In all other markets, the weekly amount is equal to the greater of 4% of gross receipts or \$400. AAMCO will use this continuing advertising fee for media costs, commissions, fees, production and development costs, not covered by the national creative advertising fee, and other costs of promotion for your Center. AAMCO has the right to determine the placement of such advertising which may be used for electronic, print, internet, or any other form of advertising or promotion. This advertising obligation will not apply to franchisees in the System as of October 1, 2006 who are in an active Pool and who are approved for an additional AAMCO Center.

At this time, we use an outside advertising agency, Hutchins/DAC Group LLC., to provide support services to our National Creative Committee and assist local advertising pools in determining and reviewing advertising buys although we may use an in-house advertising agency to provide these services and have done so in the past through our affiliate, Accel Advertising (see **Item 8**). We will also assist in forming a local advertising pool, but do not have the right to require any local advertising pool to change, dissolve or merge. AAMCO may also provide advertising materials and support services to you through an approved in-house or outside advertising agency. Advertising services may include production, publication, placement and broadcasting of national, regional and local advertising, including Yellow Pages of telephone directories, and promotional materials.

If you utilize our in-house or outside approved agency to place media ads for you, place Yellow Pages listings, engage in direct mail activities or perform comparable

services, the agency may receive a commission payable by the media for the placement. Where no commission is paid for an advertising expenditure, the in-house or outside approved agency will charge you a fee of 10% of the cost of the ad to defray its overhead expenses and cover in-house production costs (i.e., local Yellow Pages, newspaper advertising, endorsements, sponsorships, promotions and direct mail). In-house or outside approved agencies may also retain certain discounts or other commissions earned by pre-paying advertising charges.

At this time, the National Creative Committee is the only advertising council composed of franchisees that advises us regarding advertising and promotional programs or policies for AAMCO Centers generally. Further, at this time, the local advertising pools are the only local advertising cooperative that exists which we require you to participate in if your Center is in a DMA. There are no other local or regional advertising cooperatives that exist in our franchise system at this time where franchisee participation is mandatory.

As stated in **Item 7**, you have the option to spend \$2,000 for Grand Opening Advertising Package. This covers special advertising and promotional activities during your initial opening period. It does not include your weekly local advertising fee, continuing advertising fee, or national creative advertising.

You may purchase from AAMCO posters, mats and miscellaneous point-of-sale items. You may advertise on television, radio or in print. You may develop advertising materials for your own use at your own cost. However, AAMCO must give its prior written approval to all advertising that you create or prepare for local use to promote or publicize your AAMCO Center in any type of media before you may use the advertising in any fashion. (Franchise Agreement -- section 11) You may not deduct the costs that you incur to create or place your own local advertising from the advertising fees due under your Franchise Agreement.

You may only use a web site designated by AAMCO for the purpose of advertising the AAMCO name and marks and services associated with the System and individual Centers.

Separate and apart from the advertising fees which you pay to the National Creative Committee and to your local advertising pool (or to us if you we do not assign you to a pool, as we describe above), AAMCO has the right in the future to develop a national or regional advertising program and, if developed, you must participate in and pay for that program. Currently, there is no national or regional advertising program in place that we administer.

As we note above, the telephone number, 1-800-GO-AAMCO®, is a computerized Center locator available to connect retail customers to your AAMCO Center. Usage charges include the cost of monthly calls to your Center. AAMCO imposes an initial connection charge and bills the cost of monthly calls to your AAMCO Center. (See **Item 6**.)

If you fail to pay National Creative Advertising Fees or for Yellow Pages advertising, we may direct any Yellow Pages publisher to omit your listing and may additionally withhold advertising benefits from you until you remit the fees and payments due together with interest and collection costs. (Franchise Agreement, section 17(e)). This remedy is in addition to, and not in lieu of, our right to declare you to be in default under of the Franchise Agreement.

#### Site Selection Criteria:

You select the site for your AAMCO Center within a location zone established in the Metropolitan Statistical Area and you must obtain written approval from AAMCO for the site before undertaking any construction-related activities. AAMCO does not provide you with an exclusive territory or area. (See **Item 12**) If you own an independent transmission shop and apply to buy a franchise under our conversion program, site approval is part of the franchise application approval process.

As part of the site approval process, we must approve the lease or purchase of the real estate. If you own or later acquire the real estate where you locate your AAMCO Center, you must give us the option to lease the location from you on the same terms that you formerly leased the location if applicable or, if not applicable, on commercially reasonable terms. Additionally, you must give us a right of first refusal to purchase or lease the real estate on the same terms as any third party offer that you may make to sell the real estate unless, following the sale, you will continue to operate your AAMCO Center under a lease with the buyer of the real estate.

#### Typical Length of Time Between Signing Franchise Agreement and Opening.

Franchisees typically open their Centers 6 to 12 months after they sign a Franchise Agreement. The factors that affect this time are the ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, delayed installation of equipment, fixtures and signs and publication dates of the applicable Yellow Pages directories. If you do not obtain our written approval to a site and open your AAMCO Center for business within one year of the date of the Franchise Agreement, AAMCO has the right to terminate your Franchise Agreement. (Franchise Agreement – section 3)

#### Computer Systems.

AAMCO provides you with a copy of AAMCO's FOCUS GOLD, a specialized software program for use by franchisees. You are required to purchase a license to use the software and subscribe to the maintenance, updates and upgrades of the program for an annual fee, which ranges between \$495 and \$719.95, depending on your status when you buy the AAMCO franchise. (See **Item 6**) The program automates business intake using AAMCO procedures, tracks AAMCO work flow in the Center, generates reports in the forms prescribed by AAMCO and performs accounting functions. The software also prints on AAMCO's authorized customer repair orders and produces customized marketing materials authorized by AAMCO. You will use the program to print and transmit to AAMCO weekly business report information. All of your data will reside in your computer. You should establish both an email account and a high speed internet connection in your Center.

FOCUS GOLD will operate on a standard business personal computer. The Operator's Manual contains the minimum hardware requirements.

AAMCO also provides you with a copy of our DirecTech® DVD for the fees that we disclose in **Items 6**. You must use our DirecTech® system. DirecTech® runs on a standard DVD driver or player connected to a television or computer monitor. The Operator's Manual contains the minimum hardware requirements.

### Training.

If you become a franchisee for a new Center, you must attend AAMCO's Operator's School before you open the Center for business. AAMCO does not charge for this training for franchisees of new Centers. If you are purchasing an existing AAMCO Center, you must attend a training course as soon as possible after signing an agreement of sale. AAMCO charges purchasers of existing AAMCO Centers a training fee of \$3,000. (Franchise Agreement – section 5.1)

AAMCO's three-week Operator's Training School includes intensive training in the operation of an AAMCO Center, including management skills and methods, and does not teach mechanical skills. You must complete this three-week course to AAMCO's satisfaction or your Franchise Agreement can be terminated. You must pay all costs to attend this training, including travel, lodging, food and personal expenses, which we conduct at our headquarters in Horsham, Pennsylvania.

The following provides an overview of our AAMCO Operator's School curriculum:

#### **TRAINING PROGRAM**

<b>SUBJECT</b>	<b>INSTRUCTIONAL MATERIAL</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
Introduction and Overview		4		Horsham, Pennsylvania
Service System Procedures	Operator's Manual and handouts	34		Horsham, Pennsylvania
Customer Relations/Consumer Affairs	Operator's Manual	3		Horsham, Pennsylvania
Operations	Operator's Manual	1.5		Horsham, Pennsylvania
Technical Services	Operator's Manual and handouts	10		Horsham, Pennsylvania
Recruiting	Operator's Manual and handouts	5		Horsham, Pennsylvania
Workflow Procedures	Operator's Manual and handouts	1.5		Horsham, Pennsylvania
Workflow Procedures	Operator's Manual and handouts	1.5		Horsham, Pennsylvania
Center Computerization	Operator's Manual and hands-on course work	12		Horsham, Pennsylvania
Intershop	Operator's Manual	1		Horsham, Pennsylvania

SUBJECT	INSTRUCTIONAL MATERIAL	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
National Fleet	Operator's Manual	2		Horsham, Pennsylvania
Business-to-Business Sales	Operator's Manual	4		Horsham, Pennsylvania
Advertising and Marketing	Operator's and Marketing Manual	4		Horsham, Pennsylvania
Yellow Page Program	Operator's Manual and handouts	1		Horsham, Pennsylvania
National AAMCO Dealers Assoc.	Handouts	1		Horsham, Pennsylvania
Accounting	Operator's Manual	2		Horsham, Pennsylvania
Parts Sourcing	Operator's Manual and handouts	3		Horsham, Pennsylvania
Contract Administration	Handouts	2		Horsham, Pennsylvania
Management skills -- personnel	Operator's Manual and handouts	22		Horsham, Pennsylvania
Management skills -- profitability	Operator's Manual and handouts	20		Horsham, Pennsylvania
GOOD Training			5 weeks; 240 hours; only available to franchisees who are new to the AAMCO system; offered during the first quarter after you open your Center. See break-down below.	Your Center
	<b>TOTAL</b>	<b>134.5 hours</b>	<b>240 hours</b>	

Michael Dacko, Vice President of Training, and Jim Melnick, Manager of Corporate Training, conduct and supervise the training for new franchisees. Mr. Dacko has over 30 years experience with the day-to-day operations of transmission repair centers as our employee in various capacities. As we disclose in **Item 2**, before joining our company, Mr. Melnick spent 3 years as an Operations Manager with Cottman and 2 years in sales and development for the MAACO auto paint and body repair chain.

As we note in the Training Program chart, for franchisees who are new to the AAMCO system, during the first quarter after you open your Center, AAMCO will provide an intensive five (5) week Grand Opening Operations Development Training (the GOOD Training)

program at your AAMCO Center for you and your staff as outlined below. GOOD training is conducted by our developmental staff reporting to AAMCO's Vice President of Training, Michael Dacko. This training will be conducted during normal business hours and will not interfere with your Center operations.

SUBJECT	ON SITE TRAINING	LOCATION
Recruiting	30	Your Center
Policy & Procedures	30	Your Center
Computer Training, Set Up Implementation	10	Your Center
Center Marketing (includes Telemarketing)	40	Your Center & in Field Marketing
Manager Training	40	Your Center
Customer Relations	10	Your Center
Start Up Business Consulting	10	Your Center
Accounting Procedure	10	Your Center
Retail Sales Training	10	Your Center
Equipment Training	6	Your Center
Vendor Establishment	6	Your Center
Technical Quality Control Review	6	Your Center
TOTAL TRAINING HOURS	208 hours	

AAMCO reserves the right to modify the subjects and adjust the actual hours dedicated to each subject of our training programs at any time and according to your individual needs and operations.

While you are responsible for hiring your employees, AAMCO will assist you in recruiting a customer service manager and technicians for your Center. Your customer service manager must attend AAMCO's one-week school conducted periodically during the year. There is no charge for this training, but you must pay the manager's travel and living expenses. Occasionally, AAMCO conducts these schools at different sites regionally throughout the country. (Franchise Agreement – section 5.2)

AAMCO may require that you attend additional training courses. AAMCO will determine whether or not you have to attend additional training based on the effectiveness of your compliance with AAMCO's policies and procedures. You will pay the expenses of any additional training, including transportation and room and board. (Franchise Agreement – sections 5.1 and 5.2)

## **ITEM 12. TERRITORY**

AAMCO grants you a license for the operation of one AAMCO Center within a specific Metropolitan Statistical Area or Micropolitan Statistical Area ("Statistical Area"). The exact location must be approved in writing by AAMCO. You cannot re-locate your Center without AAMCO's advance written approval.

You do not receive and AAMCO does not grant you an exclusive or protected territory or trading area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control, including from Cottman centers. As we disclose in **Item 1**, our affiliate, Cottman, operates Cottman centers and administers the Cottman franchise program. Cottman centers offer the public comparable transmission and driveline related automotive repair services under the Cottman brand name to those that AAMCO Centers offer the public. Cottman no longer sells new Cottman franchises and a number of Cottman franchisees have either converted to AAMCO franchisees or have indicated an intention to convert their service center to the AAMCO brand in the near future. Depending on the site that you select for your AAMCO Center, you may compete with a nearby Cottman center for customers. We do not regulate competition between neighboring Cottman and AAMCO Centers in the same market, which function as competitors no differently than other franchised and independent brands offering similar services.

While AAMCO maintains the right to establish additional company-owned, affiliate-owned or franchisee-owned AAMCO Centers in the same Statistical Area as your Center, AAMCO agrees to limit the number of Centers to a maximum of one Center for each 100,000 motor vehicle registrations in the Statistical Area. AAMCO agrees that before establishing any additional location zones for franchises in the Statistical Area in which your Center is located, AAMCO will conduct a marketing study and will receive and consider input and comments from you and other franchisees in that Statistical Area. If we do open, or permit one of our franchisees to open, an AAMCO Center in your Statistical Area, we have no obligation to compensate you for sales made by that Center.

AAMCO reserves the right to use all forms and channels of distribution, regardless of whether we use the method now or adopt it in the future. This includes the right to distribute AAMCO products and services that bear the "AAMCO" trademark or that display other names and marks that we do not include as part of the AAMCO franchise. Channels of distribution include the Internet, catalogue sales, telemarketing or other direct marketing sales. New emerging technologies may yield new channels of distribution over time.

You have no right to offer or sell any AAMCO products or services through channels of distribution other than from your retail center. However, while you may only offer services from your AAMCO Center, we do not limit your right to service customers according to where they reside or work. In other words, you may sell authorized products and services to customers regardless of their place of residence or work.

We and Cottman have the same principal business address (see **Item 1**) and share certain administrative departments with our parent, American Driveline Systems, Inc., including accounting. However, we and Cottman each maintain separate departments and staff to handle operations, collections, advertising and training and also maintain separate training facilities for our respective franchisees.



### **ITEM 13. TRADEMARKS**

We grant you the right to operate an AAMCO Center under the name "AAMCO" or "AAMCO Transmissions." AAMCO is the registered owner under the laws of the United States of America of the following principal trademarks, each registered on the Principal Register of the United States Patent Office: (i) the name "AAMCO" first registered on June 18, 1968 and first renewed on June 18, 1988, No. 851,209; (ii) the "AAMCO" company logo in the form of a hexagon shield first registered on November 12, 1968 and first renewed on November 12, 1988, No. 860,330; and (iii) the "AAMCO Transmissions" company logo in the form of a hexagon shield first registered on December 11, 1979, and first renewed on December 11, 1999 No. 1,127,710. AAMCO is also the registered owner under the laws of the United States of America on the Principal Register of the United States Patent Office of the following additional marks: (iv) "Power Purge," first registered on June 25, 2002, No. 2,586,742, which refers to a specific type of transmissions service provided by AAMCO Centers; and (ii) "DirecTech," first registered on August 4, 1998, No. 2,179,649, which refers to a specific instructional DVD. There are no agreements in place that limit AAMCO's right to use or license the use of AAMCO's marks. AAMCO also owns common law trademark rights to "TransScan" a multi-step process of systematically evaluating the condition and functioning of an automotive transmission.

You must follow AAMCO's procedures when you use these marks. You cannot use the "AAMCO" name or mark as part of the company name of your business entity, whether it be a corporation, partnership or limited liability company. You cannot use or register "AAMCO" as part of a top line domain name for your Center.

You cannot use the "AAMCO" name and marks on a web site without AAMCO's prior written approval and you may not establish any HTML or other link between any web site you create, maintain or use and AAMCO's home page or other part of AAMCO's web site without AAMCO's prior written approval.

You must not directly or indirectly contest AAMCO's right to the "AAMCO" names, marks, trade secrets, proprietary information or business techniques that are part of the AAMCO system. You may not modify the AAMCO marks.

You must notify AAMCO immediately when you learn about an infringement of or a challenge to your use of AAMCO's marks. AAMCO will take the action that it thinks appropriate to protect its marks against claims of infringement or unfair competition. AAMCO will, at its expense and direction, defend you against any claim of infringement for your use of AAMCO's marks. You must cooperate in defending such action, if and as requested by AAMCO. AAMCO does not know of any infringing uses of its marks that could materially affect your use of AAMCO's marks.

Currently, there are no effective material determinations of the patent and trademark office, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition or cancellation; and pending material litigation involving the principal trademarks.

**ITEM 14.**  
**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patents are material to this franchise. You can use proprietary and copyrighted information in AAMCO's Operator's Manual and related forms and training materials. See **Item 11** for a description of the Operator's Manual. AAMCO claims a common law copyright interest in its Operator's Manual, Opening Procedures Manual, Outside Sales materials and other instructional and training materials and related forms, although AAMCO has not filed for copyright protection with the United States Copyright Office. AAMCO limits the use of the Operator's Manual to you and your employees. You are not permitted to provide copies of the Operator's Manual to anyone else. AAMCO claims a common law copyright interest in all of its technical training videos, DVDs and other technical training materials and regards the information as proprietary, although it has not filed for copyright protection with the United States Copyright Office. You do not have a right to make copies of any of the materials which AAMCO regards as proprietary or in which it claims common law or statute copyrights, although you may use these materials in the operation of your AAMCO Center.

You must notify AAMCO immediately when you learn about an infringement of or a challenge to your use of any of our proprietary or copyrighted materials. AAMCO will take the action that it thinks appropriate to protect its rights in the materials against claims of infringement or unfair competition. AAMCO will, at its expense and direction, defend you against any claim of infringement for your use of AAMCO's proprietary or copyrighted materials. You must cooperate in defending such action, if and as requested by AAMCO. AAMCO does not know of any infringing uses of its proprietary or copyrighted materials that could materially affect your use of AAMCO's proprietary or copyrighted materials.

**ITEM 15.**  
**OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

AAMCO requires that you participate personally in the management and operation of your AAMCO Center. You must hire only those employees who, after appropriate screening, demonstrate themselves to be honest and dependable. You must hire a customer service manager for your AAMCO Center, and he or she must satisfactorily complete AAMCO's customer service manager training and any other retraining AAMCO requires. If requested by AAMCO, the customer service manager must sign a confidentiality agreement by which he or she agrees to maintain confidentiality of trade secrets and proprietary information.

While some AAMCO dealers, with AAMCO's advance written approval, have other business interests, you must devote your best efforts to the operation of your AAMCO Center.

**ITEM 16.**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

AAMCO requires that you offer and sell only those goods and services that AAMCO has approved. You must offer all goods and services that AAMCO designates as required for all franchisees. Parts, supplies and assembly sets used in your AAMCO Center must meet AAMCO's specifications. See **Item 8**.

AAMCO has the right to add additional authorized services that you must offer. There are no limits on AAMCO's right to add additional services and AAMCO may require you to comply with other requirements including training and purchasing of additional diagnostic equipment and/or inventory. You are not restricted as to the customers you may solicit. You cannot operate any other business at the location of your AAMCO Center.

**ITEM 17.  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

<b>PROVISION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SUMMARY</b>
a. Length of the franchise term	Section 3	Term is 15 years from your signing of the Franchise Agreement.
b. Renewal or extension of the term	Section 3	If you are not in default and have not received a notice of intent not to renew from AAMCO, the franchise may be renewed for 15 years; you will be required to sign a then current type Franchise Agreement at least 90 days prior to the expiration of the term of the franchise and the franchise fee may be increased upon renewal.
c. Requirements for franchisee to renew or extend	Section 3	Sign new agreement within a specific time, and update appearance of Center; franchise fee may be increased. Our then-current Franchise Agreement may contain materially different terms and conditions than the expiring Franchise Agreement.
d. Termination by franchisee	None	Not applicable
e. Termination by AAMCO without cause	None	Not applicable
f. Termination by AAMCO with cause	Section 19.1 (also section 11 of the DirecTech® or FOCUS GOLD License Agreements, Exhibits A-9 and A-10)	AAMCO can terminate only if you breach the agreement or you default under the DirecTech® or FOCUS GOLD License Agreements.
g. "Cause" defined - curable defaults	Sections 19.1(a) and (b)	You have 10 days to cure any failure to make payments. You have 30 days to cure other defaults except as listed in sections 19.1(c) and (d).

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
h. "Cause" defined - non-curable defaults	Sections 19.1(c) and (d)	Non-curable defaults: fraudulent acts; failure to deal fairly and honestly with AAMCO or any customer of the Center; failure to honor and comply with the terms of the advertising placed; receive notice of default under section 8(a), 8(b), 8(i), 8(j), 8(l) or 8(o) of the Franchise Agreement, or notice of failure to pay any sum under the Franchise Agreement, on 3 prior occasions in any twelve (12) month period.
i. Franchisee's obligations on termination/non-renewal	Sections 19.2 and 20	Obligations include complete de-identification, payment of amounts due, cessation of use of AAMCO name and return of AAMCO material. (also see r. below)
j. Assignment of contract by AAMCO	Section 22	No restriction on AAMCO's right to assign.
k. "Transfer" by franchisee - defined	Sections 18.1, 18.2, 18.3	Includes transfer of contract or assets, or ownership change.
l. AAMCO's approval of transfer by franchisee	Sections 18.1, 18.2	AAMCO has the right to approve all transfers.
m. Conditions for AAMCO approval of transfer	Sections 18.1, 18.2	New franchisee qualifies, all sums due and transfer fee paid, purchase agreement approved, training successfully completed, release signed by you, current agreement signed by new franchisee, Center appearance updated, Assignment of Lease and Lease Rider approved and current diagnostic equipment and technical training materials acquired; franchisee is not subject to an uncured notice of default and all monetary obligations to AAMCO and advertising pool satisfied. (also see r. below).
n. AAMCO's right of first refusal to acquire franchisee's business	Section 18.2(a)	If you receive a bona fide written offer to purchase your Center, you must give AAMCO written notice and AAMCO has 30 days to match the terms and conditions of the third party offer, except that AAMCO may substitute cash for any offer payment method. AAMCO does not have this option if the transfer is due to disability or is between or among partners, shareholders, LLC member, immediate family, Center employees or is for less than 50%. This provision will not apply to franchisees in the System as of October 1, 2006 who are approved for an additional AAMCO Center.
o. AAMCO's option to purchase franchisee's business	Section 19.2 and see provision n. above	At termination or expiration, AAMCO has the option to buy your interest in the Center.
p. Death or disability of franchisee	Section 18.2	Rights pass to your heirs who are members of your immediate family and who otherwise qualify pursuant to section 18.1.

PROVISION	SECTION IN FRANCHISE AGREEMENT	SUMMARY
q. Non-competition covenants during the term of the franchise	Section 20	No involvement in a similar or competing Business, except as approved by AAMCO under paragraph 8(e).
r. Non-competition covenants after the franchise is terminated or expires	Section 20	No competing business for 2 years within 10 miles of former Center or another AAMCO Center, in the U.S., Canada, Mexico, Puerto Rico, Virgin Islands and Australia; includes after transfers; no franchising or licensing of competing business for 2 years within the U.S., Canada, Puerto Rico, Australia and Virgin Islands.
s. Modification of the agreement	Section 29	No modifications by you unless in writing and signed by AAMCO; but Operator's Manual subject to change.
t. Integration/merger clause	Section 29	Only the terms of the Franchise Agreement are enforceable. No other promises are enforceable against the parties. Nothing in the Franchise Agreement requires you to waive or disclaim representations contained in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	Section 28	Except for certain claims, all disputes must be arbitrated; no multi-party or class action claims are permitted in arbitration. Arbitration to occur in Philadelphia, PA. You may initiate non-binding mediation in Philadelphia, Pennsylvania, Chicago, Illinois or Bethesda, Maryland at your option. The Franchise Agreement does not give us the right to initiate a non-binding mediation. --
v. Choice of forum	Section 26	Litigation must be in federal court in Philadelphia, PA or state court in Montgomery County, PA. See State Addendum and amendments to Franchise Agreement (Exhibits C and D).
w. Choice of law	Section 26	Pennsylvania law applies. See State Addendum and amendments to Franchise Agreement (Exhibits C and D).
x. Waiver of jury trial	Section 27	You and AAMCO waive trial by jury in any action.
y. Recovery of costs and attorney's fees	Sections 26.2 and 28	The prevailing party in any court proceeding recovers attorney's fees and costs; prevailing party in any arbitration may recover arbitrator's fees.
z. Notice	Section 23	Notice under the agreement must be in writing.

State law requires us to make certain disclosures regarding the possible application of state laws. We make these special disclosures in the state addendum to the Franchise Disclosure Document and amendments to Franchise Agreement. (See Exhibits C and D)

## **ITEM 18. PUBLIC FIGURES**

There is no compensation or other benefit given or promised to a public figure, in whole or in part, from the use of a public figure in the name or symbol of the franchise.

The franchisee does have the right to use the name and likeness of Sarah Fisher in advertisements approved in writing by AAMCO through December 31, 2008. The advertisements and endorsement fees are paid for through the National Creative Committee.

The franchisee also has the right to use the name and likeness of Whiskey Falls in advertisements approved in writing by AAMCO through July 31, 2008. The advertisements and endorsement fees are paid for through the National Creative Committee.

There are no public figures involved in the actual management or control of AAMCO nor has any public figure invested in the franchise operation.

## **ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in this **Item 19** may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this **Item 19**, for example, by providing information about possible performance at a particular location or under particular circumstances.

We make 3 different financial performance representations in this **Item 19**. We disclose: (i) the increase in the average gross sales of AAMCO Centers for 2007; (ii) the average weekly gross sales of AAMCO Centers in each of the 55 fifty-five advertising pools in the AAMCO chain with four or more Centers in 2007; and (iii) the increase in the average weekly gross sales of certain Cottman Transmission centers after they converted to the AAMCO Brand. Substantiation of all data that we present in this section of the **Item 19** disclosure is available for inspection to prospective franchisees upon reasonable request.

YOUR INDIVIDUAL FINANCIAL RESULTS MAY DIFFER FROM THE INFORMATION THAT WE PRESENT IN THIS **ITEM 19**. WE URGE YOU TO CONSULT WITH YOUR OWN FINANCIAL, BUSINESS AND LEGAL ADVISORS TO CONDUCT YOUR OWN ANALYSIS OF THE INFORMATION CONTAINED IN THIS SECTION OF **ITEM 19** AND IN THIS ENTIRE FRANCHISE DISCLOSURE DOCUMENT.

### **1. Average Gross Sales of AAMCO Centers For Fiscal Year 2007, Arranged According To Geographic Regions.**

We compiled certain average gross sales for all AAMCO Centers open and operating throughout 2007. We compiled the average gross sales data shown in this **Item 19** from the Weekly Business Reports prepared by franchisees owning Centers open and operating throughout 2007 and organize the information by geographic region. The Weekly Business Reports cover the period beginning with the week ending January 6, 2007 through the week

ending December 29, 2007. We have not audited this data and make no representation or warranty as to the accuracy of franchisee-reported data.

The gross sales figures includes both AAMCO Centers that offered AAMCO Complete Car Care services in 2007 and those that do not. Gross sales results not only depend on the scope of services which a Center offers, but on the quality of a Center's management team, the Center's operating hours, the energy and dedication of a Center's owner, and the quality of services which the Center performs.

<b>Central Region</b>		
Includes Centers in Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Wisconsin, Wyoming and the Provinces of Alberta and Ontario		
A.	Total Number of Centers in Region as of 12/31/07	187
B.	From A., Total Number of Centers Open Throughout FY 2007	187
C.	From A., Total Number of Centers in Business 10 Years or Longer	128
D.	From A., Total Number of Centers in Business At Least 5 Years But Less Than 10 Years	33
E.	From A., Total Number of Centers in Business At Least 2 Years But Less Than 5 Years	16
F.	From A., Total Number of Centers in Business Less than 2 Years	10
G.	Average Gross Sales of Centers Included in B.	545,529.14
H.	Number of Centers in B. attaining or exceeding Average Gross Sales	84
I.	Percentage of Centers in B. attaining or exceeding Average Gross Sales	44.92

<b>Northeast Region</b>		
Includes Centers in States of Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Jersey, New York, New Hampshire, Ohio, Pennsylvania, Rhode Island and Vermont		
A.	Total Number of Centers in Region as of 12/31/07	192
B.	From A., Total Number of Centers Open Throughout FY 2007	192

Northeast Region		
Includes Centers in States of Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Jersey, New York, New Hampshire, Ohio, Pennsylvania, Rhode Island and Vermont		
C.	From A., Total Number of Centers in Business 10 Years or Longer	144
D.	From A., Total Number of Centers in Business At Least 5 Years But Less Than 10 Years	17
E.	From A., Total Number of Centers in Business At Least 2 Years But Less Than 5 Years	23
F.	From A., Total Number of Centers in Business Less than 2 Years	8
G.	Average Gross Sales of Centers Included in B.	615,033.35
H.	Number of Centers in B. attaining or exceeding Average Gross Sales	79
I.	Percentage of Centers in B. attaining or exceeding Average Gross Sales	41.15

Southeast Region		
Includes Centers in States of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia		
A.	Total Number of Centers in Region as of 12/31/07	213
B.	From A., Total Number of Centers Open Throughout FY 2007	213
C.	From A., Total Number of Centers in Business 10 Years or Longer	150
D.	From A., Total Number of Centers in Business At Least 5 Years But Less Than 10 Years	28
E.	From A., Total Number of Centers in Business At Least 2 Years But Less Than 5 Years	22
F.	From A., Total Number of Centers in Business Less than 2 Years	13
G.	Average Gross Sales of Centers Included in B.	593,627.30



<b>Southeast Region</b>		
Includes Centers in States of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia		
H.	Number of Centers in B. attaining or exceeding Average Gross Sales	98
I.	Percentage of Centers in B. attaining or exceeding Average Gross Sales	46.01

<b>Western Region</b>		
Includes Centers in States of Arizona, California, Idaho, Nevada, Oregon, Utah, Washington and the Province of British Columbia		
A.	Total Number of Centers in Region as of 12/31/07	168
B.	From A., Total Number of Centers Open Throughout FY 2007	168
C.	From A., Total Number of Centers in Business 10 Years or Longer	131
D.	From A., Total Number of Centers in Business At Least 5 Years But Less Than 10 Years	13
E.	From A., Total Number of Centers in Business At Least 2 Years But Less Than 5 Years	15
F.	From A., Total Number of Centers in Business Less than 2 Years	9
G.	Average Gross Sales of Centers Included in B.	655,438.14
H.	Number of Centers in B. attaining or exceeding Average Gross Sales	73
I.	Percentage of Centers in B. attaining or exceeding Average Gross Sales	43.45

## 2. Average Weekly Gross Sales of Reporting Advertising Pools for 2007

Franchisees agree to share local advertising costs with other franchisees in their local area. The composition of the local advertising pool is determined by AAMCO using Nielsen, a recognized industry guide, and its Designated Market Areas. There are fifty-five advertising pools in the AAMCO chain with four or more Centers. The 2007 average weekly gross sales for these advertising pools are as follows:

	Pool Name	1 Qtr	2 Qtr	3 Qtr	4 Qtr	Quarter Average	No. of Centers	Centers Achieving Average or Higher Gross Sales
1	Birmingham, AL	\$12,789	\$12,020	\$12,358	\$11,939	\$12,141	6	3 or 50%
2	Phoenix, AZ	\$19,202	\$18,499	\$18,755	\$15,691	\$18,020	13	5 or 38%
3	Los Angeles, CA	\$13,902	\$13,289	\$12,575	\$12,086	\$12,966	47	25 or 53%
4	San Francisco, CA	\$14,777	\$14,503	\$13,034	\$12,021	\$13,554	19	9 or 47%
5	Sacramento, CA	\$12,002	\$11,656	\$11,473	\$10,041	\$11,255	12	5 or 42%
6	San Diego, CA	\$11,566	\$11,325	\$9,763	\$9,245	\$10,499	8	5 or 63%
7	Denver, CO	\$13,739	\$12,636	\$12,538	\$12,195	\$12,778	14	7 or 50%
8	Hartford, CT	\$7,348	\$7,839	\$8,997	\$9,276	\$8,336	4	1 or 25%
9	Washington, D.C.	\$13,744	\$13,756	\$12,553	\$11,669	\$12,931	24	12 or 50%
10	Ft. Myers/Napels, FL	\$14,431	\$11,858	\$11,053	\$9,572	\$11,728	4	3 or 75%
11	Jacksonville, FL	\$13,712	\$14,280	\$12,923	\$11,983	\$13,225	9	4 or 44%
12	Miami/Ft. Lauderdale, FL	\$11,242	\$10,207	\$10,037	\$9,515	\$10,250	10	5 or 50%
13	Orlando, FL	\$14,718	\$13,382	\$12,974	\$12,479	\$13,388	16	9 or 56%
14	St. Petersburg/Tampa, FL	\$16,878	\$16,355	\$14,999	\$14,693	\$15,744	14	5 or 36%
15	West Palm Beach, FL	\$10,744	\$10,374	\$9,684	\$9,687	\$10,122	6	1 or 17%
16	Atlanta, GA	\$13,364	\$14,229	\$12,660	\$11,522	\$12,929	24	14 or 58%
17	Chicago, IL	\$10,960	\$10,068	\$9,783	\$9,293	\$10,033	26	13 or 50%
18	Indianapolis, IN	\$13,637	\$13,370	\$12,438	\$12,557	\$13,000	6	3 or 50%
19	Louisville, KY	\$7,864	\$8,402	\$8,945	\$8,072	\$8,306	4	1 or 25%
20	Des Moines, IA	\$14,534	\$14,867	\$12,597	\$11,020	\$13,254	4	3 or 75%
21	New Orleans, LA	\$9,338	\$8,407	\$8,144	\$7,790	\$8,420	4	3 or 75%
22	Baltimore, MD	\$12,077	\$11,104	\$10,033	\$10,859	\$11,018	10	4 or 40%
23	Boston, MA	\$11,004	\$10,613	\$10,643	\$10,926	\$10,795	17	7 or 41%
24	Kansas City, MO	\$9,218	\$8,839	\$8,967	\$7,853	\$8,719	9	3 or 33%
25	Saint Louis, MO	\$10,125	\$9,612	\$9,424	\$9,290	\$9,610	5	4 or 80%
26	Minneapolis, MN	\$7,530	\$8,399	\$8,030	\$8,560	\$8,120	10	5 or 50%
27	Omaha, NE	\$12,872	\$12,405	\$12,148	\$11,317	\$12,186	5	2 or 40%
28	Las Vegas, NV	\$15,985	\$15,603	\$13,721	\$12,868	\$14,544	4	1 or 25%
29	Albany, NY	\$8,026	\$8,594	\$7,578	\$6,920	\$7,780	4	1 or 25%
30	New York, New Jersey	\$13,270	\$13,531	\$13,657	\$13,507	\$13,489	49	23 or 47%
31	Raleigh/Fayetteville/Goldsboro, NC	\$9,864	\$9,503	\$9,487	\$9,076	\$9,482	9	4 or 44%
32	Charlotte, NC	\$10,018	\$10,242	\$10,056	\$8,970	\$9,821	8	4 or 50%
33	Greensboro, NC	\$12,830	\$11,720	\$11,838	\$11,793	\$12,045	5	1 or 20%
34	Cincinnati, OH	\$11,029	\$10,239	\$9,381	\$9,558	\$10,046	8	4 or 50%
35	Cleveland, OH	\$7,068	\$7,118	\$7,597	\$7,934	\$7,429	9	5 or 56%
36	Columbus, OH	\$9,957	\$9,572	\$8,838	\$7,212	\$8,852	6	3 or 50%
37	Dayton, OH	\$9,727	\$10,598	\$9,755	\$9,130	\$9,802	6	3 or 50%
38	Toronto, ON	\$11,324	\$12,412	\$11,117	\$12,076	\$11,732	7	4 or 57%
39	Eugene, OR	\$10,479	\$11,339	\$13,362	\$10,350	\$11,383	4	2 or 50%
40	Portland, OR	\$11,791	\$10,961	\$11,685	\$8,436	\$10,731	9	5 or 56%
41	Philadelphia, PA	\$11,033	\$10,639	\$10,566	\$9,224	\$10,362	27	15 or 56%

	Pool Name	1 Qtr	2 Qtr	3 Qtr	4 Qtr	Quarter Average	No. of Centers	Centers Achieving Average or Higher Gross Sales
42	Harrisburg, PA	\$9,613	\$9,828	\$9,497	\$8,707	\$9,432	5	4 or 80%
43	Pittsburgh, PA	\$11,539	\$12,265	\$11,289	\$10,607	\$11,410	8	3 or 38%
44	Wilkes-Barre/Scranton, PA	\$15,091	\$15,005	\$14,068	\$12,673	\$14,209	5	2 or 40%
45	Greenville/Spartanburg, SC	\$7,225	\$7,031	\$7,368	\$7,475	\$7,275	7	3 or 43%
46	Memphis, TN	\$11,802	\$9,818	\$10,619	\$9,759	\$10,387	4	2 or 50%
47	Austin, TX	\$10,885	\$11,072	\$9,918	\$10,091	\$10,491	6	1 or 17%
48	Dallas/Ft. Worth, TX	\$12,739	\$12,274	\$12,110	\$11,654	\$12,202	8	5 or 63%
49	Houston, TX	\$9,536	\$9,437	\$9,661	\$8,123	\$9,189	13	7 or 54%
50	San Antonio, TX	\$11,159	\$11,107	\$9,984	\$11,069	\$10,811	6	4 or 67%
51	Salt Lake City, UT	\$11,521	\$11,365	\$12,309	\$10,226	\$11,355	7	5 or 71%
52	Norfolk, VA	\$13,281	\$11,916	\$11,390	\$10,142	\$11,605	8	6 or 75%
53	Roanoke, VA	\$11,673	\$13,180	\$14,057	\$11,795	\$12,676	5	3 or 60%
54	Seattle, WA	\$14,125	\$13,650	\$14,763	\$13,582	\$14,032	9	2 or 22%
55	Spokane, WA	\$11,078	\$11,755	\$12,717	\$11,376	\$11,731	4	2 or 50%
<b>2007 Average</b>		<b>\$11,833</b>	<b>\$11,619</b>	<b>\$11,332</b>	<b>\$10,563</b>	<b>\$11,338</b>	<b>760 total</b>	<b>350 or 46%</b>

### 3. Earnings of Former Cottman Franchisees Who Have Converted to AAMCO Brand

This section of **Item 19** compares the pre-conversion and post-conversion gross sales of the Cottman Transmission centers that converted to AAMCO Centers from June 29, 2006 (the earliest conversion date) through December 31, 2007. We include only those Cottman centers that were operating continuously under the Cottman Brand for at least the 52 weeks immediately before their conversion date. We refer to the converted centers in this **Item 19** as the "Cottman Converted Centers."

While a total of 113 Cottman Transmission centers converted to AAMCO Centers during the period from June 29, 2006 through December 31, 2007, we exclude 22 of these converted centers for the following reasons: (i) 3 Converted Cottman Centers had no sales during 2007; (ii) 13 centers were subsequently sold by the Cottman franchisee following the conversion so that the original franchisee did not own and operate the Cottman Converted Center throughout the post-conversion period; and (iii) 6 Cottman Converted Centers were not operating for at least the 52 weeks immediately before their conversion date and have incomplete pre-conversion sales data.

All 91 of the Cottman Converted Centers that we include in this **Item 19** performed substantially the same transmission and automotive repair and car care services after the conversion that they offered to the public before the conversion.

Because the conversion dates of the 91 Cottman Converted Centers differ, some Cottman Converted Centers have a longer post-conversion sales history under the AAMCO Brand than others. On average, the 91 Cottman Converted Centers had 38.9 weeks of post-conversion sales history through December 31, 2007. Conversions took place throughout the roughly 18 month period from June 29, 2006 through December 31, 2007, but, at a glance, the conversions took place during the following three month, or quarterly, periods:

QUARTER	PERIOD	NUMBER OF COTTMAN CENTERS CONVERTING TO AAMCO BRAND
Q3 2006	6/29/06 – 9/30/07	26
Q4 2006	10/1/06 – 12/31/06	22
Q1 2007	1/1/07 – 3/31/07	9
Q2 2007	4/1/07 – 6/30/07	8
Q3 2007	7/1/07 – 9/30/07	11
Q4 2007	10/1/07 – 12/31/07	10

In comparing the performance of each of the 91 Cottman Converted Centers, we computed the Center's average actual weekly gross sales after conversion to the AAMCO brand (not to exceed the first 52 weeks post-conversion) and compared that figure to the Center's average actual weekly gross sales for the same weeks in the prior year when the Center operated under the Cottman Brand. For example, if a Cottman Center converted to the AAMCO Brand on July 1, 2007, it would have roughly 26 complete weeks of data, which we compared against the Cottman Center's performance during the same 26 week period in the prior year. Because some Cottman Converted Centers have a longer post-conversion sales history under the AAMCO Brand than others, we did not use data for the same weeks for all 91 Cottman Converted Centers.

This section of **Item 19** shows (i) the average actual weekly gross sales of each of the 91 Cottman Converted Centers after the Cottman Converted Center's conversion to the AAMCO brand (not to exceed the first 52 weeks post-conversion), (ii) the average actual weekly gross sales of each of the 91 Cottman Converted Centers during the same period during the prior year (not to exceed 52 weeks) before the Cottman Converted Center's conversion when they operated under the Cottman brand, and (iii) the percentage increase in the average actual weekly gross sales of each of the 91 Cottman Converted Centers computed by comparing same period sales before, and after, conversion to the AAMCO brand:

	Number of Cottman Converted Centers Evaluated	91
	Average Number of Weeks Cottman Converted Center Operated as AAMCO Following Conversion	38.9
<b>A</b>	Actual Average Weekly Gross Sales All 91 Cottman Converted Centers Following Conversion	\$9,951
<b>B</b>	Actual Average Weekly Gross Sales All 91 Cottman Converted Centers Same Period (Up to 52 Weeks) Before Conversion	\$9,096

<b>C</b>	Average Percentage Increase in Actual Average Weekly Gross Sales All 91 Cottman Converted Centers Following Conversion	9.4%
	Number of Cottman Converted Centers that achieved or surpassed the Actual Average Weekly Gross Sales	36
	Number of Cottman Converted Centers that achieved or surpassed the Average Percentage Increase in Actual Average Weekly Gross Sales Post Conversion	36

In compiling the data, we used the following calculations (A, B and C refer to the rows in the above table):

A. The actual "average" weekly gross sales for the 91 Cottman Converted Center post-conversion was calculated by aggregating each Cottman Converted Center's actual weekly gross sales for the weeks through December 31, 2007 after the Center began operating under the AAMCO Brand. This aggregate total was then divided by the aggregate number of post-conversion weeks as an AAMCO (through December 31, 2007) to arrive at the "average" weekly gross sales for all 91 Cottman Conversion Centers during the post-conversion period.

B. The actual "average" weekly gross sales for the 91 Cottman Converted Center pre-conversion was calculated by aggregating each Cottman Converted Center's actual weekly gross sales for the same weeks that were used for the Center in A. during the prior year when the Center operated under the Cottman Brand. This aggregate total was then divided by the aggregate number of weeks used to calculate A. to arrive at the "average" weekly pre-conversion gross sales for all Cottman Conversion Centers during the pre-conversion period.

C. The "average" percentage increase in actual average weekly gross sales for all 91 Cottman Converted Center following conversion was calculated by first determining the difference between A by B, then dividing the difference by the amount shown in B, and then multiplying the dividend by 100.

While Cottman and AAMCO Centers experience some seasonality with sales being higher in summer and winter months, by comparing same period sales before, and after, conversion to the AAMCO brand, we believe our data accounts for any seasonal variances.

We have compiled this data from the Weekly Business Reports that we received from the franchisees owning the Cottman Converted Centers. We have not audited this data and make no representation or warranty as to the accuracy of franchisee-reported data.

THE INFORMATION IN THIS **ITEM 19** IS PROVIDED FOR THE SPECIFIC BENEFIT OF COTTMAN FRANCHISEES WHO ARE CONSIDERING CONVERTING TO THEIR CENTER TO THE AAMCO BRAND. THE GROSS SALES OF THE SPECIFIC COTTMAN CONVERTED CENTERS THAT WE DESCRIBE IN THIS SECTION OF **ITEM 19** SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL SALES, PROFITS, OR EARNINGS THAT WILL BE REALIZED BY ANY OTHER COTTMAN TRANSMISSION CENTER THAT CONVERTS TO THE AAMCO BRAND OR BY ANY OTHER AAMCO FRANCHISEE.

AS FOR COTTMAN FRANCHISEES WHO ARE CONSIDERING CONVERTING TO THEIR CENTER TO THE AAMCO BRAND, WE DO NOT REPRESENT THAT YOU CAN EXPECT TO ATTAIN THE GROSS SALES RESULTS THAT WE DISCLOSE IN THIS

SECTION OF **ITEM 19**. YOUR FINANCIAL RESULTS MAY DIFFER FROM THE FIGURES THAT WE PRESENT IN THIS **ITEM 19**. IF YOU RELY UPON THESE FIGURES, YOU MUST ACCEPT THE RISK THAT YOU WILL NOT DO AS WELL. WE URGE YOU TO CONSULT WITH YOUR OWN FINANCIAL, BUSINESS AND LEGAL ADVISORS TO CONDUCT YOUR OWN ANALYSIS OF THE INFORMATION CONTAINED IN THIS SECTION OF **ITEM 19** AND IN THIS ENTIRE FRANCHISE DISCLOSURE DOCUMENT.

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**ITEM 20.**  
**OUTLETS AND FRANCHISEE INFORMATION**

<b>TABLE 1</b>				
<b>Systemwide Outlet Summary For Years 2005 to 2007</b>				
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2005	703	718	+15
	2006	718	770	+52
	2007	770	836	+66
Company-Owned	2004	0	0	+0
	2005	0	0	+0
	2006	0	0	+0
Total Outlets	2005	703	718	+15
	2006	718	770	+52
	2007	770	836	+66

<b>TABLE 2</b>		
<b>Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2005 to 2007</b>		
ALABAMA	2005	2
	2006	0
	2007	0
ALASKA	2005	0
	2006	0
	2007	0
ARIZONA	2005	2
	2006	0
	2007	2
ARKANSAS	2005	0
	2006	0
	2007	0
CALIFORNIA	2005	14
	2006	11
	2007	11
COLORADO	2005	2
	2006	0
	2007	2
CONNECTICUT	2005	0
	2006	0

TABLE 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2005 to 2007		
	2007	0
DELAWARE	2005	0
	2006	0
	2007	0
DISTRICT OF COLUMBIA	2005	0
	2006	0
	2007	0
FLORIDA	2005	8
	2006	5
	2007	4
GEORGIA	2005	3
	2006	3
	2007	2
HAWAII	2005	0
	2006	0
	2007	0
IDAHO	2005	1
	2006	1
	2007	0
ILLINOIS	2005	6
	2006	1
	2007	2
INDIANA	2005	1
	2006	1
	2007	0
IOWA	2005	1
	2006	1
	2007	3
KANSAS	2005	0
	2006	0
	2007	0
KENTUCKY	2005	1
	2006	0
	2007	3
LOUISIANA	2005	1
	2006	1
	2007	0
MAINE	2005	0
	2006	0
	2007	0
MARYLAND	2005	1
	2006	0



TABLE 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2005 to 2007		
	2007	1
MASSACHUSETTS	2005	1
	2006	0
	2007	2
MICHIGAN	2005	1
	2006	1
	2007	1
MINNESOTA	2005	0
	2006	1
	2007	0
MISSISSIPPI	2005	0
	2006	0
	2007	0
MISSOURI	2005	0
	2006	3
	2007	1
MONTANA	2005	0
	2006	0
	2007	0
NEBRASKA	2005	0
	2006	0
	2007	0
NEVADA	2005	0
	2006	1
	2007	1
NEW HAMPSHIRE	2005	0
	2006	0
	2007	0
NEW JERSEY	2005	3
	2006	4
	2007	1
NEW MEXICO	2005	0
	2006	0
	2007	0
NEW YORK	2005	5
	2006	1
	2007	2
NORTH CAROLINA	2005	1
	2006	4
	2007	1
NORTH DAKOTA	2005	0
	2006	0