

TABLE 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2005 to 2007		
	2007	0
OHIO	2005	2
	2006	1
	2007	3
OKLAHOMA	2005	0
	2006	0
	2007	0
OREGON	2005	3
	2006	3
	2007	3
PENNSYLVANIA	2005	2
	2006	2
	2007	5
RHODE ISLAND	2005	0
	2006	0
	2007	0
SOUTH CAROLINA	2005	2
	2006	2
	2007	2
SOUTH DAKOTA	2005	0
	2006	0
	2007	0
TENNESSEE	2005	1
	2006	0
	2007	2
TEXAS	2005	2
	2006	1
	2007	7
UTAH	2005	0
	2006	0
	2007	0
VERMONT	2005	0
	2006	0
	2007	0
VIRGINIA	2005	1
	2006	5
	2007	3
WASHINGTON	2005	0
	2006	1
	2007	1
WEST VIRGINIA	2005	0
	2006	1

TABLE 2		
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For Years 2005 to 2007		
WISCONSIN	2007	0
	2005	1
	2006	0
WYOMING	2007	1
	2005	0
	2006	0
PUERTO RICO	2007	0
	2005	0
	2006	0
U. S. VIRGIN ISLANDS	2007	0
	2005	0
	2006	0
OTHER U. S. TERRITORIES AND POSSESSIONS	2007	0
	2005	0
	2006	0
TOTAL	2007	68
	2005	55
	2006	66

TABLE 3									
Status of Franchised Outlets for Years 2005 to 2007									
Column 1  State	Column 2  Year	Column 3  Outlets at Start of Year	Column 4  Outlets Opened	Column 5  Conversions	Column 6  Terminations	Column 7  Non-Renewals	Column 8  Reacquired by Franchisor	Column 9  Ceased Operations-Other Reasons	Column 10  Outlets at End of the Year
ALABAMA	2005	11	1	0	0	0	0	1	11
	2006	11	2	0	0	0	0	2	11
	2007	11	0	0	0	0	0	0	11
ALASKA	2005	0	0	0	0	0	0	0	0
	2006	0	0	1	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
ARIZONA	2005	13	2	0	0	1	0	1	13
	2006	13	0	6	0	0	0	1	18
	2007	18	2	6	0	0	0	0	26
ARKANSAS	2005	3	0	0	0	0	0	0	3
	2006	3	0	0	0	0	0	1	2
	2007	2	0	2	0	0	0	0	4
CALIFORNIA	2005	97	2	0	0	0	0	2	97
	2006	97	6	5	0	0	0	3	105

**TABLE 3**

**Status of Franchised Outlets for Years 2005 to 2007**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9	Column 10
State	Year	Outlets at Start of Year	Outlets Opened	Conver- sions	Termina- tions	Non- Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
	2007	105	9	0	1	0	0	6	107
COLORADO	2005	17	0	0	0	0	0	1	16
	2006	16	1	1	0	0	0	0	18
	2007	18	0	1	0	0	0	1	18
CONNECTICUT	2005	9	0	0	0	0	0	0	9
	2006	9	0	0	0	0	0	0	9
	2007	9	2	0	0	0	0	1	10
DELAWARE	2005	2	1	0	0	0	0	0	3
	2006	3	1	0	0	0	0	0	4
	2007	4	0	0	0	0	0	0	4
DISTRICT OF COLUMBIA	2005	1	0	0	0	0	0	0	1
	2006	1	0	0	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
FLORIDA	2005	64	1	0	0	0	0	1	64
	2006	64	2	2	1	1	0	2	64
	2007	64	3	2	0	0	0	1	68
GEORGIA	2005	27	1	0	0	0	0	2	26
	2006	26	1	3	0	0	0	0	30
	2007	30	2	2	0	0	0	1	33
HAWAII	2005	0	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	0	1
	2007	1	1	0	0	0	0	0	2
IDAHO	2005	4	0	0	0	0	0	0	4
	2006	4	0	0	0	0	0	0	4
	2007	4	0	1	0	0	0	0	5
ILLINOIS	2005	30	1	0	1	0	0	1	29
	2006	29	2	0	0	0	0	3	28
	2007	28	0	0	0	0	0	0	28
INDIANA	2005	14	0	0	0	0	0	1	13
	2006	13	0	0	0	0	0	1	12
	2007	12	0	0	0	0	0	1	11
IOWA	2005	10	0	0	0	0	0	0	10
	2006	10	0	1	0	0	0	0	11
	2007	11	1	0	0	0	0	0	12
KANSAS	2005	5	0	0	0	0	0	1	4
	2006	4	0	0	0	0	0	0	4
	2007	4	0	0	0	0	0	0	4
KENTUCKY	2005	11	0	0	0	0	0	0	11
	2006	11	0	0	0	0	0	1	10
	2007	10	0	0	0	0	0	2	8
LOUISIANA	2005	13	0	0	0	0	0	0	13
	2006	13	0	0	0	0	0	3	10
	2007	10	0	4	0	0	0	1	13
MAINE	2005	1	0	0	0	0	0	0	1
	2006	1	0	0	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
MARYLAND	2005	18	1	0	0	0	0	0	19

TABLE 3

## Status of Franchised Outlets for Years 2005 to 2007

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Conversions	Column 6 Terminations	Column 7 Non-Renewals	Column 8 Reacquired by Franchisor	Column 9 Ceased Operations- Other Reasons	Column 10 Outlets at End of the Year
	2006	19	0	1	0	0	0	0	20
	2007	20	1	1	0	0	0	0	22
	2005	16	1	0	0	0	0	1	16
MASSACHUSETTS	2006	16	2	1	0	0	0	2	17
	2007	17	0	2	0	0	0	2	17
MICHIGAN	2005	5	0	0	0	0	0	0	5
	2006	5	0	3	0	0	0	0	8
	2007	8	0	0	0	0	0	2	6
MINNESOTA	2005	9	1	0	0	0	0	0	10
	2006	10	3	0	1	0	0	0	12
	2007	12	0	0	0	0	0	0	12
MISSISSIPPI	2005	5	0	0	0	0	0	0	5
	2006	5	0	0	0	0	0	1	4
	2007	4	0	0	0	0	0	0	4
MISSOURI	2005	12	1	0	0	0	0	0	13
	2006	13	0	0	0	0	0	0	13
	2007	13	1	3	0	0	0	0	17
MONTANA	2005	0	0	0	0	0	0	0	0
	2006	0	1	0	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
NEBRASKA	2005	4	0	0	0	0	0	0	4
	2006	4	0	1	0	0	0	0	5
	2007	5	0	0	0	0	0	0	5
NEVADA	2005	6	0	0	0	0	0	0	6
	2006	6	0	0	0	0	0	0	6
	2007	6	0	3	0	0	0	0	9
NEW HAMPSHIRE	2005	3	1	0	0	0	0	0	4
	2006	4	0	0	0	0	0	0	4
	2007	4	0	0	0	0	0	0	4
NEW JERSEY	2005	28	1	0	0	0	0	1	28
	2006	28	0	6	0	0	0	1	33
	2007	33	3	3	1	0	0	2	36
NEW MEXICO	2005	2	0	0	0	0	0	0	2
	2006	2	1	0	0	0	0	0	3
	2007	3	0	0	0	0	0	0	3
NEW YORK	2005	38	3	0	0	0	0	0	41
	2006	41	1	1	0	0	0	4	39
	2007	39	4	0	0	0	0	3	40
NORTH CAROLINA	2005	18	6	0	0	0	0	1	23
	2006	23	2	1	0	0	0	0	26
	2007	26	1	2	0	0	0	0	29
NORTH DAKOTA	2005	1	0	0	0	0	0	0	1
	2006	1	0	0	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
OHIO	2005	25	0	0	0	0	0	2	23
	2006	23	3	5	0	0	0	0	31
	2007	31	2	2	0	0	0	0	35

TABLE 3

## Status of Franchised Outlets for Years 2005 to 2007

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Conversions	Column 6 Terminations	Column 7 Non-Renewals	Column 8 Reacquired by Franchisor	Column 9 Ceased Operations-Other Reasons	Column 10 Outlets at End of the Year
OKLAHOMA	2005	6	0	0	0	0	0	1	5
	2006	5	0	0	0	0	0	0	5
	2007	5	0	0	0	0	0	0	5
OREGON	2005	13	1	0	0	0	0	0	14
	2006	14	0	0	0	0	0	0	14
	2007	14	0	3	0	0	0	0	17
PENNSYLVANIA	2005	25	3	0	0	0	0	0	28
	2006	28	0	12	0	0	0	2	38
	2007	38	2	12	0	0	0	1	51
RHODE ISLAND	2005	3	0	0	0	0	0	0	3
	2006	3	0	0	0	0	0	0	3
	2007	3	0	0	0	0	0	0	3
SOUTH CAROLINA	2005	14	0	0	0	0	0	0	14
	2006	14	0	2	0	0	0	0	16
	2007	16	2	0	0	0	0	2	16
SOUTH DAKOTA	2005	1	0	0	0	0	0	0	1
	2006	1	0	0	0	0	0	0	1
	2007	1	0	0	0	0	0	0	1
TENNESSEE	2005	10	0	0	0	0	0	1	9
	2006	9	0	1	0	0	0	0	10
	2007	10	0	0	0	0	0	0	10
TEXAS	2005	47	2	0	0	0	0	0	49
	2006	49	2	3	0	0	0	5	49
	2007	49	1	1	0	0	0	1	50
UTAH	2005	5	1	0	0	0	0	0	6
	2006	6	0	1	0	0	0	0	7
	2007	7	1	0	0	0	0	0	8
VERMONT	2005	2	0	0	0	0	0	0	2
	2006	2	0	0	0	0	0	1	1
	2007	1	0	0	0	0	0	0	1
VIRGINIA	2005	28	1	0	0	0	0	0	29
	2006	29	2	4	2	0	0	2	31
	2007	31	2	2	1	0	0	0	34
WASHINGTON	2005	14	0	0	0	0	0	0	14
	2006	14	1	1	0	0	0	0	16
	2007	16	0	0	0	0	0	0	16
WEST VIRGINIA	2005	3	0	0	0	0	0	0	3
	2006	3	0	0	0	0	0	0	3
	2007	3	1	0	0	0	0	0	4
WISCONSIN	2005	5	2	0	0	0	0	1	6
	2006	6	0	0	0	0	0	1	5
	2007	5	0	0	0	0	0	0	5
WYOMING	2005	2	0	0	0	0	0	0	2
	2006	2	0	0	0	0	0	0	2
	2007	2	0	0	0	0	0	0	2
Puerto Rico	2005	3	2	0	0	0	0	0	5
	2006	5	1	1	0	0	0	5	2

TABLE 3									
Status of Franchised Outlets for Years 2005 to 2007									
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Conversions	Column 6 Terminations	Column 7 Non-Renewals	Column 8 Reacquired by Franchisor	Column 9 Ceased Operations-Other Reasons	Column 10 Outlets at End of the Year
U.S. Virgin Islands	2007	2	3	0	0	0	0	0	5
	2005	0	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0	0
Other U.S. Territories and Possessions	2005	0	0	0	0	0	0	0	0
	2006	0	0	0	0	0	0	0	0
	2007	0	0	0	0	0	0	0	0
Total	2005	703	36	0	1	-1	0	19	718
	2006	718	35	63	4	1	0	41	770
	2007	770	44	52	3	0	0	27	836

TABLE 4							
Status of Company-Owned Outlets for Years 2005 to 2007							
Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
See Note 1	0	0	0	0	0	0	0
Note 1: There have been no company owned Centers for the years 2005, 2006 and 2007.							

TABLE 5				
Projected New Franchised Outlets as of 2008				
Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 New Openings (Conversions)	Column 5 Projected New Company - Owned Outlets in the Next Fiscal Year
ALABAMA	2	2	0	0
ALASKA	0	0	0	0
ARIZONA	3	2	1	0
ARKANSAS	0	0	0	0
CALIFORNIA	8	10	0	0
COLORADO	2	2	3	0
CONNECTICUT	0	2	0	0

TABLE 5

## Projected New Franchised Outlets as of 2008

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 New Openings (Conversions)	Column 5 Projected New Company – Owned Outlets In the Next Fiscal Year
DELAWARE	0	1	1	0
DISTRICT OF COLUMBIA	0	0	0	0
FLORIDA	20	15	2	0
GEORGIA	6	2	2	0
HAWAII	0	0	0	0
IDAHO	0	0	0	0
ILLINOIS	2	2	0	0
INDIANA	1	1	0	0
IOWA	1	1	0	0
KANSAS	0	0	2	0
KENTUCKY	3	3	2	0
LOUISIANA	3	3	6	0
MAINE	0	0	0	0
MARYLAND	0	1	1	0
MASSACHUSETTS	0	2	5	0
MICHIGAN	0	2	2	0
MINNESOTA	0	1	0	0
MISSISSIPPI	0	1	0	0
MISSOURI	2	1	2	0
MONTANA	1	1	0	0
NEBRASKA	2	1	0	0
NEVADA	0	0	2	0
NEW HAMPSHIRE	2	2	0	0
NEW JERSEY	1	2	3	0
NEW MEXICO	0	1	0	0
NEW YORK	5	5	2	0
NORTH CAROLINA	1	2	2	0
NORTH DAKOTA	0	0	0	0
OHIO	3	3	2	0
OKLAHOMA	0	0	5	0
OREGON	2	1	1	0
PENNSYLVANIA	2	2	5	0
RHODE ISLAND	0	1	0	0
SOUTH CAROLINA	0	0	0	0
SOUTH DAKOTA	0	0	0	0
TENNESSEE	0	2	0	0
TEXAS	1	2	10	0
UTAH	1	1	0	0
VERMONT	0	0	0	0

TABLE 5				
Projected New Franchised Outlets as of 2008				
Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 New Openings (Conversions)	Column 5 Projected New Company – Owned Outlets In the Next Fiscal Year
VIRGINIA	5	5	0	0
WASHINGTON	3	3	0	0
WEST VIRGINIA	1	1	0	0
WISCONSIN	0	0	1	0
WYOMING	0	0	0	0
PUERTO RICO	0	0	0	0
U. S. VIRGIN ISLANDS	1	1	0	0
Other U.S. Territories and Possessions	2	0	0	0
Total	86	90	62	0

Attached as **Exhibit H** is a list of the names of all franchisees and their addresses and telephone number of all AAMCO Centers as of December 31, 2007.

Attached as **Exhibit I** is a list of the names, city and state and current business telephone number or last known home telephone of every and addresses of all AAMCO franchisees who have had a franchise terminated, cancelled, non renewed or who have otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year ending December 31, 2007, or who have not communicated with us during the 10 weeks before the filing of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During our last 3 fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

Trademark-Specific Franchisee Organizations Associated with the AAMCO System:

National AAMCO Dealer's Association (NADA). Contact information: Michael Ganiei, President, NADA; address: 7316 Wisconsin Avenue, Suite 420, Bethesda, MD 20814; telephone: (800) 446-6231; e-mail: [mganiei@aamcodealers.com](mailto:mganiei@aamcodealers.com); website: [www.aamcodealers.com](http://www.aamcodealers.com). We did not create or sponsor the formation of NADA, but recognize it as an incorporated franchisee organization associated with the AAMCO system.



**ITEM 21.  
FINANCIAL STATEMENTS**

Attached as **Exhibit J** are the following financial statements for AAMCO Transmissions, Inc.:

1. Unaudited financial statements for fiscal quarter ending on March 31, 2008.
2. Audited financial statements for the fiscal years ending December 29, 2007, December 30, 2006 and December 31, 2005.

**ITEM 22.  
EXHIBITS TO FDD AND LIST OF AGREEMENTS THAT YOU MUST SIGN**

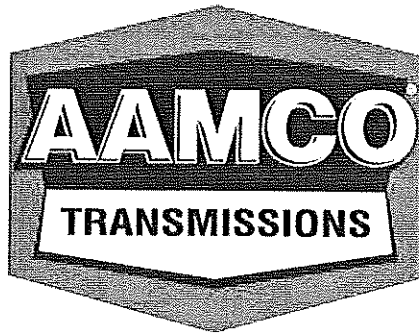
DESCRIPTION	EXHIBIT
Franchise Documents	
Franchise Agreement – New and attachments	"A-1"
Franchise Agreement – EDAC form; for franchisees in System as of 10/1/06 obtaining an additional center	"A-2"
Lease Rider	"A-3"
Telephone Number User Agreement – New	"A-4"
Telephone Number User Agreement – EDAC	"A-5"
Advertising Commitment Letter	"A-6"
Ad Pool Installment Note	"A-7"
Sample Ad Pool Agreement	"A-8"
FOCUS GOLD License Agreement	"A-9"
AAMCO DirecTech® License Agreement	"A-10"
Additional Franchise Documents	
Amendment to Add a Corporation	"B-1"
Termination of Franchise Agreement and General Release	"B-2"
Amendments relating to statutory and Regulatory provisions and requirements to the Franchise Disclosure Document for the States of California, Hawaii, Illinois, Minnesota, Rhode Island, South Dakota, Washington and Province of Ontario	"C"
State Amendments to Franchise Agreement for the States of Illinois, Minnesota, North Dakota, Rhode Island, South Dakota and Province of Ontario	"D"
State Administrators (See cover page)	"E"
Agents for Service of Process (See <b>Item 1</b> )	"F"

DESCRIPTION	EXHIBIT
List of State and Local Laws (See Item 1)	"G"
List of Franchise Outlets (See Item 20)	"H"

### ITEM 23. RECEIPTS

The last four pages of this Franchise Disclosure Document are detachable documents (**Exhibit K**) acknowledging your receipt of the Franchise Disclosure Document. You must sign one copy and give it to us. The other copy is for your records. If these pages or any other pages or exhibits are missing from your copy, please contact us at this address or phone number:

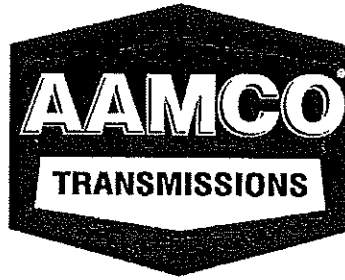
**AAMCO Transmissions, Inc.**  
201 Gibraltar Road  
Horsham, PA 19044  
(610) 668-2900  
franchise@aamcotransmissions.com



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**AAMCO Transmissions, Inc.**



**Franchise Agreement**

This Agreement is entered into as of \_\_, 20\_\_, by and between AAMCO Transmissions, Inc., 201 Gibraltar Road, Horsham, Pennsylvania 19044 ("AAMCO"), and \_\_\_\_\_ ("Franchisee").

As a result of extensive experience in the transmission and general automotive repair business, AAMCO has developed methods, procedures and techniques for the operation of AAMCO centers devoted to such repair business and AAMCO has built up substantial business and valuable good will by the establishment of such centers throughout the United States and Canada; and

AAMCO has developed a system (the "System") for conducting operations in the transmission and general automotive repair business which consists, in part, of the use of the "AAMCO" trade name and trademarks, AAMCO's methods, procedures and techniques, and a network of Centers devoted exclusively to the transmission and general automotive repair business ("Centers") which use the "AAMCO" name and the methods, procedures and techniques; and

AAMCO has created a substantial demand for its products and services by maintaining high standards of quality in its operation and in the operation of its franchised Centers and by extensive advertising; and

AAMCO makes its experience and know-how available to all its franchisees in order to assist them in opening and operating a successful AAMCO center. AAMCO makes this and other means at its disposal available to aid in the management and merchandizing of Franchisee's center.

In recognition of the value of participating in the System, Franchisee desires to acquire a franchise to operate a Center;

The parties, intending to be legally bound, enter into this Agreement in recognition of these considerations and of the mutual promises and agreements contained herein.

**1. Grant of Franchise.**

**1.1** In consideration of the payment of the initial license fee identified in this Agreement, Franchisee shall have the right, subject to compliance with the terms and conditions of this Agreement, to operate a Center ("the Center"), under the "AAMCO" name and under any

other trade names, trademarks, service marks and logos ("AAMCO names and marks") presently used, or which may hereafter be used in the System.

1.2 Franchisee's Center shall be located as follows: \_\_\_\_\_ Metropolitan Statistical Area/Micropolitan Statistical Area (collectively "Statistical Area")

Address:

Franchisee agrees to operate the Center at no other address. Franchisee agrees not to move or relocate the Center without the express prior written approval of AAMCO, which approval shall not be unreasonably withheld.

(a) AAMCO expressly reserves the right to grant additional franchises or establish other Centers in the same Statistical Area. The number of Centers will be based upon then current motor vehicle registrations and the marketing program of AAMCO, and shall be limited to a maximum of one Center for each 100,000 motor vehicle registrations. Notwithstanding this motor vehicle registration limit, Franchisee agrees that he does not have and is not being granted a protected trading area, specifically without limitation, in regard to the placement of other AAMCO Centers.

(b) AAMCO or its affiliates may acquire or develop businesses or franchise systems that are in competition with the Center, including locations near the Center. Franchisee agrees that AAMCO is under no obligation to compensate Franchisee for services performed by such businesses or franchise systems that are in proximity to the Center.

## **2. Initial License Fee and Deposit.**

(a) Franchisee agrees to pay the sum of \$39,500 as an initial license fee. AAMCO acknowledges payment by Franchisee of a deposit of \$20,000 to be applied to the initial license fee. This deposit does not permit Franchisee to use the AAMCO names and marks or to operate a Center without compliance with other provisions of this Agreement. An additional \$19,500 is due at the start of AAMCO's operator training school.

(b) Franchisee acknowledges that AAMCO shall incur expenses upon execution of this Agreement. In the event of any termination, cancellation or rescission of this Agreement for any reason whatsoever, AAMCO will suffer damages not able to be determined; therefore, AAMCO, in addition to any other rights or remedies it may have, shall be entitled to retain any payments towards the initial license fee as liquidated damages.

## **3. Term.**

This Agreement shall begin as of the date set forth above and shall continue for a term of fifteen (15) years. Unless either party gives written notice of its intention not to renew at least 180 days prior to the expiration of the fifteen-year term, Franchisee shall have the right to renew this franchise at the end of the term provided he is not then in default under the Agreement. In connection with any renewal, Franchisee agrees to execute a franchise agreement of the type then currently being used by AAMCO, at least ninety (90) days, but not more than one (1) year, prior to the expiration of the term. If, at least ninety (90) days prior to the expiration of the term of this franchise, Franchisee has not executed AAMCO's then current franchise agreement, this Agreement shall automatically terminate at the end of the term without

further action by any party and Franchisee shall comply in full with section 19.2, Procedures after Termination. AAMCO expressly reserves the right to increase the franchise fee upon renewal in accordance with its then current policy. Notwithstanding anything in this section 3 to the contrary, any renewal of the franchise shall be subject to the other provisions of this Agreement regarding termination.

#### **4. Location and Lease.**

(a) Upon the execution of this Agreement, Franchisee agrees to proceed with due diligence to secure a location for the Center within the Statistical Area stated in section 1.2 of this Agreement, in accordance with the guidelines set forth in AAMCO's Center Opening Procedures Manual. In the event Franchisee fails to open his Center for business within one year from the date of execution of this Agreement, AAMCO may, absent any extension of time agreed to in writing by AAMCO, immediately and without prior notice, cancel and terminate this Agreement.

(b) Franchisee agrees not to execute any documents of purchase or lease for any such location without the prior written approval of AAMCO as to location, and terms of sale or lease, whichever is applicable.

(c) If Franchisee purchases the Center location at any time during the term of this Agreement, or is the owner of the Center location prior to the execution of this Agreement, Franchisee hereby grants to AAMCO the option to lease the location on substantially the same terms and conditions contained in any lease under which Franchisee occupied the location as lessee, or if no such lease existed, then on terms and conditions that are commercially reasonable. This option granted may be exercised by AAMCO for a period of thirty (30) days following the termination, rejection or rescission of this Agreement for any reason whatsoever.

(d) If Franchisee purchases the Center location at any time during the term of this Agreement, or is the owner of the Center location prior to the execution of this Agreement, Franchisee hereby grants to AAMCO, upon expiration or non-renewal, a right of first refusal to purchase or lease the Center location on terms and conditions that are commercially reasonable or on substantially the same financial terms and conditions of any binding third-party offer. This right of first refusal may be exercised by AAMCO for a period of thirty (30) days following such expiration or non-renewal; provided, however, this right of first refusal shall not apply if Franchisee himself is using the location so long as such use is in compliance with section 20(b) of this Agreement.

(e) If Franchisee is leasing the location, then, after AAMCO's written approval of the proposed location and lease, Franchisee shall execute the lease and agrees to deliver a copy of the fully executed lease to AAMCO. Franchisee agrees that the lease shall contain a conditional assignment clause which shall provide that, upon the termination or expiration of this Agreement for any reason whatsoever, AAMCO or its designee shall have the option for thirty (30) days to assume the obligations of and to replace Franchisee as the lessee under the lease and at any time thereafter reassign the lease to a new franchisee. Franchisee agrees not to terminate, renew or in any way alter or amend the lease during the Term or any renewal term of this franchise without AAMCO's prior written consent, and any attempted termination, renewal, alteration or amendment shall be null and void and have no effect as to AAMCO or AAMCO's interests.

(f) Except as otherwise provided in this Agreement, Franchisee agrees not to assign its lease or sublet the Center, or any portion of the premises containing the Center.

(g) If Franchisee chooses to design and construct his Center, Franchisee agrees to engage AAMCO's designated design and construction professional or, alternatively, to procure design and construction services from another source approved by AAMCO in writing.

(h) Franchisee agrees not to make any material change to the Center premises or adjacent areas without the prior written consent of AAMCO.

## **5.**

### **5.1 Training, Security Deposit and Commencement of Business.**

(a) Prior to opening the Center for business, Franchisee must attend and successfully complete to AAMCO's satisfaction, AAMCO's operator's training school, which includes instruction, training and education in the operation of the Center. All expenses of travel, lodging, meals and any other expenses relating to attendance at such school shall be borne and paid by Franchisee. If Franchisee fails to complete training to AAMCO's satisfaction, AAMCO, in its sole discretion, may terminate this Agreement immediately, and this Agreement shall be of no further force and effect, and neither AAMCO nor Franchisee shall have any further liability or obligation to the other; provided, however, that the provisions of section 20 shall not be affected by any such termination.

(b) This paragraph applies to an OPERATOR who has signed a New License Agreement. Upon receipt of the Grand Opening Operations Development (GOOD) Training Fee, AAMCO shall provide a five (5) week on site Training program for OPERATOR and OPERATOR's staff during the first quarter of your Center operations. The Training will be held at OPERATOR's Center and be conducted during normal business hours.

(c) Franchisee agrees to attend such additional training or meetings at such locations as AAMCO may, from time to time, direct. All expenses incurred in connection with such attendance at training sessions or meetings shall be borne solely by Franchisee.

**5.2** (a) Franchisee agrees to maintain at all times during the term of this Agreement a staff of trained employees sufficient to operate the Center in accordance with this Agreement. Franchisee agrees that all personnel whom Franchisee employs shall conform to the experience or skill standards which AAMCO may prescribe. Franchisee agrees to direct any of its employees to attend such meetings and training sessions as AAMCO may require, including directing the Center's technicians to obtain technical certification, as AAMCO may require, pursuant to AAMCO's technical certification program or a comparable technical certification program approved by AAMCO. All expenses of travel, lodging, meals and any other expenses shall be borne and paid by Franchisee or the Center's employees. Franchisee agrees not to employ any person who may be required by AAMCO to complete a training program or otherwise meet training requirements, but who fails to do so for any reason whatsoever.

(b) Franchisee acknowledges and agrees that the training of the Center's technical employees is essential to the successful operation of the Center. Franchisee, therefore, agrees to participate in, pay for and buy all materials for the AAMCO Tech Video/DVD



Library Program, DirecTech® and any other technical training programs as and when directed by AAMCO according to the terms and conditions as determined by AAMCO, or to participate in a comparable technical training program which complies with AAMCO's specifications. Franchisee further agrees that, at the request of AAMCO, Franchisee will submit information about its participation in a comparable technical training program, including without limitation, invoices, lists of vendors from which Franchisee purchases such technical training programs and actual copies of such training. AAMCO's Technical Services Department shall determine if any such technical training program is comparable.

(c) Franchisee agrees that, regarding the hiring of employees for the Center, it will not initiate directly or indirectly any contact with any other person known to Franchisee to be employed by another AAMCO franchisee for the purpose of inducing such employee to work in Franchisee's Center; provided, however, nothing shall prevent Franchisee from advertising generally for employees to fill vacant positions. Franchisee agrees to hire only those employees who, upon appropriate screening, demonstrate themselves to be honest and dependable.

**5.3** (a) Franchisee acknowledges that it has deposited with AAMCO the sum of \$5,000 as security for compliance with all the provisions of this Agreement. This deposit shall be retained by AAMCO and AAMCO shall have the right to reimburse itself or others, including customers of Franchisee's Center, from this security deposit for any costs or expenses that may be sustained by AAMCO or others, as a result of failure by Franchisee to comply with any provision of this Agreement. AAMCO has sole and absolute discretion in determining the amount of reimbursement from this security deposit, and agrees to act reasonably in making such determinations.

(b) Franchisee acknowledges that the creation and use of this security deposit is a condition of the franchise, is intended to maintain a high level of customer satisfaction, and to minimize or resolve customer complaints. It is agreed that AAMCO may use the funds to cure any default by Franchisee under this Agreement and to defray expenses, damages or attorneys' fees of AAMCO or others, reasonably necessary to cure any such default, including refunds to customers of Franchisee as AAMCO may determine. AAMCO may send written notice to Franchisee of defaults calling for action under these provisions; however, Franchisee hereby authorizes AAMCO to apply the security deposit or any portion of it for the purposes specified in this provision without prior, actual notice to Franchisee that the money has been applied.

(c) Franchisee agrees that should the amount of the security deposit with AAMCO become less than \$5,000 because of any reason whatsoever, then Franchisee, upon notice from AAMCO, shall pay whatever amount is needed so that the amount of the security deposit equals \$5,000.

(d) AAMCO agrees to pay interest on the security deposit at the rate of 3% less than prime rate as established by a leading bank as determined by AAMCO averaged over the preceding twelve months to a maximum of six percent (6%) per year, provided that Franchisee is, at all times, in full compliance with the provisions of this section. AAMCO shall have no obligation to establish a separate bank account for such funds.

(e) The security deposit shall be reimbursed to Franchisee upon termination of this Agreement if the Center is sold by Franchisee in accordance with section 18.2 of this Agreement and the new franchisee assumes Franchisee's warranty obligations and

pays a new security deposit with AAMCO. In all other situations when this Agreement terminates, expires or is rescinded, AAMCO may use the security deposit to cover the costs of warranty work arising from warranties issued by the Center prior to the termination, expiration or rescission of this Agreement; and AAMCO may retain the deposit for a period of three (3) years from the date of termination, at which time any remaining balance will be returned to Franchisee provided Franchisee has complied in full with sections 19 and 20 of this Agreement. All warranty repairs charged under this subsection shall be performed at and in accordance with AAMCO's then current Intershop Warranty rate and policies and procedures.

**6.1 Services Rendered by AAMCO.** AAMCO agrees to:

- (a) assist Franchisee in obtaining a location and negotiating a lease;
- (b) assist Franchisee with the layout of the Center and the installation of equipment;
- (c) assist Franchisee in finding and evaluating personnel;
- (d) furnish to Franchisee the Operator's Manual described in section 7, parts catalogues, and instructional and training materials for the purpose of providing guidance in the methods, procedures and techniques of operating a Center;
- (e) furnish, from time to time, such business information, literature and materials as AAMCO determines may be helpful in improving the operations of the Center;
- (f) advise and consult with Franchisee during usual business hours on matters relating to the operation of the Center;
- (g) advise Franchisee of any new developments or improvements in the System;
- (h) assist Franchisee by providing Technical Consulting services for use by all franchisees. These services will include Technical Hot Line Department, Publication of Technical Advisory bulletins, Publication of Technical Bench tips, Publication of Technical Bench notes, Publication of Technical columns in the Twin Post, Production of video training films, the availability of the Rebuilders Academy and additional in-house only training seminars. AAMCO further agrees that the ratio of the Technical Department's expenditures to franchise fee revenue for the provision of these services will be the minimum ratio maintained for the provision of these services.
- (i) provide initial training, the GOOD training and other additional training programs, sessions and meetings as AAMCO may determine;
- (j) assist in the design of advertising promoting the business of AAMCO franchisees and the services they sell; and make available to Franchisee its experience, know-how, guidance, and counseling with respect to national, regional, and/or local advertising, and combinations thereof, including the selection of particular media and advertising content, as well as the choice of agencies for the purchase and use of these advertising techniques; and
- (k) continue to protect the good will and reputation associated with the AAMCO name and marks and other distinguishing aspects of the System.

**6.2** AAMCO agrees that, before AAMCO grants any additional franchise in the Statistical Area in which Franchisee's Center is located, it will conduct a marketing study and will receive and consider input and comments from Franchisee.

**7.**

**7.1 Operator's Manual.**

(a) AAMCO shall lend to Franchisee a manual produced and published by AAMCO (the "Operator's Manual") which includes, in part, the business procedures, technical advice, policies and procedures, and rules and regulations for the operation of the Center.

(b) Franchisee agrees that he will comply with all of the policies and procedures which AAMCO establishes from time to time including those set forth in AAMCO's training manuals as modified and/or updated from time-to-time as determined by AAMCO in its sole discretion.

**7.2** Franchisee acknowledges and agrees that:

(a) the Operator's Manual is the property of AAMCO and shall remain its property during the term of this Agreement and any renewals;

(b) the Operator's Manual contains confidential information which Franchisee will protect as a trade secret, and that its loss will cause substantial damage to AAMCO and the System although the amount of such loss would be incalculable with any degree of accuracy. Consequently, in the event of loss of this Operator's Manual, Franchisee agrees to pay to AAMCO such sum as may be agreed upon for its replacement, as liquidated damages and not as a penalty;

(c) Franchisee will not reprint or reproduce any portion of the Operator's Manual for any reason whatsoever;

(d) upon expiration or termination of this Agreement for any reason, the Operator's Manual will be immediately returned to AAMCO.

**8. Certain Obligations of Franchisee.** In order to maintain the high quality and uniform standards associated with the System and to protect its good will and reputation, Franchisee agrees to:

(a) deal fairly and honestly with AAMCO and with each customer, and that Franchisee will render prompt, workmanlike, courteous and willing service in the Center

(b) operate the Center in such a manner so as to avoid customer complaints, since any customer complaints cause harm to the growth of AAMCO's national identity, reputation in the marketplace and association of its name with quality repairs. Franchisee agrees that any customer complaints generated by the Center, including but not limited to those in which customers allege abuse, fraud, deceptive or unfair trade practices, cause such harm individually and in the aggregate. Franchisee agrees to handle all customer complaints and adjustments in a uniform manner consistent with the protocols and requirements specified by the Operator's Manual whether they arise from the Center or from any other AAMCO center.

(c) honor and comply with the terms of all advertising placed by or at the direction of AAMCO or Franchisee;

(d) devote his/her best efforts to the day-to-day operations and development of the business of the Center;

(e) operate the Center exclusively as an automotive repair and servicing business and not engage in any other business at the Center, except as otherwise approved in writing by AAMCO;

(f) keep the Center open for business the minimum number of days per week and hours per day as may be prescribed by AAMCO in the Operator's Manual from time to time;

(g) design, keep and maintain the Center and its appearance in an attractive, clean, safe and orderly manner consistent with the operation of a first class automotive business and any directives of AAMCO deemed by it to be necessary to protect the standards of quality and uniformity of the Centers and the System, including (1) interior and exterior painting and décor, (2) shop and sales office layout and character of interior furnishings, and (3) use and display of such signs, emblems, logos, lettering and pictorial materials as required or approved by AAMCO;

(h) operate the Center in accordance with the methods, policies and procedures, and techniques included in the Operator's Manual and other training manuals and materials, as modified and/or updated from time to time as determined by AAMCO in its sole discretion, or otherwise approved by AAMCO;

(i) conduct business at the Center in a manner so that it will not detract from nor bring into disrepute the AAMCO name and marks;

(j) comply at all times with all federal, state, provincial, county, city, municipal and other local laws, regulations and ordinances applicable to Franchisee's business;

(k) maintain at all times (except when fire or other casualty so prevents) sufficient supplies and personnel to operate the Center at maximum capacity and efficiency, including a full time Customer Service Manager (other than Franchisee) who is primarily responsible for customer contact within the Center, and who has successfully completed AAMCO's CSM training program;

(l) operate the Center under the name AAMCO and under no other name unless directed in writing by AAMCO, and use and display the AAMCO name and marks prominently in such manner as may from time to time be directed in writing by AAMCO and not use or prominently display any other trade name, trademark, service mark or other designation during the term of this Agreement;

(m) permit AAMCO during business hours to inspect the premises of the Center, confer with Franchisee and Franchisee's employees and customers, check equipment and inventories, methods, books and records, and perform any other inspection deemed by AAMCO to be necessary to determine the nature, quality and uniformity of service rendered at the Center in order to protect the System and to determine Franchisee's performance under this

Agreement. Franchisee specifically agrees that neither Franchisee's physical presence in the Center nor specific consent to any such inspection shall be necessary;

(n) submit to AAMCO uniform business and financial reports and financial statements in accordance with the procedure set forth in the Operator's Manual, and deliver a copy of Franchisee's federal income tax return relating to the operations of the Center within thirty (30) days after such return is filed. If AAMCO adopts as part of the System a format of reporting via electronic polling, Franchisee agrees to submit uniform financial reports for the Center through the Internet or other electronic means which is compatible with software used by AAMCO for such purpose;

(o) maintain a system of bookkeeping and recordkeeping as requested by AAMCO, keep the Center's books and records at the Center at all times and make them available during business hours to authorized representatives of AAMCO for the purpose of verifying the accuracy of Franchisee's business and financial reports. If such verification reveals that the gross receipts reported by Franchisee to AAMCO are more than two percent (2%) less than Franchisee's actual gross receipts, Franchisee agrees to reimburse AAMCO for all expenses connected with such verification, including, but not limited to, reasonable administrative, accounting and legal fees, and without limitation to any other rights and remedies AAMCO in its sole discretion, may elect to pursue. Franchisee shall pay to AAMCO immediately any deficient and delinquent franchise fees, together with interest at the rate of eighteen percent (18%) per annum calculated from the date when franchise fees should have been paid to the date of actual payment. Franchisee further acknowledges and agrees that the actual damages sustained by AAMCO in the event of underreporting of gross receipts are difficult to ascertain and that in addition to the fees, interest and expenses stated above, Franchisee shall also pay AAMCO liquidated damages in an amount equal to three times franchise fees due plus interest as calculated above. These liquidated damages shall be in addition to any other remedies AAMCO may have.

(p) use only such forms as AAMCO specifically prescribes or authorizes including, without limitation, AAMCO diagnostic forms, AAMCO warranty cards, AAMCO reporting forms and consecutively numbered AAMCO repair orders for which AAMCO may make a reasonable charge.

(q) offer to customers of the Center all services, products and/or warranties which AAMCO may prescribe. Franchisee acknowledges that AAMCO retains the exclusive right to make modifications from time-to-time to such services, products and/or warranties.

(r) pay the franchise fee and all other fees and/or charges arising under this Agreement and related agreements by electronic funds transfer as described in section 10(e) below and sign all documents necessary to effect such electronic funds transfer as may be requested by AAMCO from time to time.

(s) periodically upgrade and/or remodel the Center as AAMCO may, from time to time, deem necessary to promote the standards of quality and uniformity of the Centers and the System, including replacing and/or upgrading exterior and interior signs and décor, provided that no such upgrading or remodeling during the term will require any increase in the square footage of the Center premises, and further provided that no substantial upgrades or remodeling, defined as in excess of \$15,000, shall be required more than once every six (6)

years during the term nor shall the aggregate cost of all upgrades or remodeling required by AAMCO during the term of this Agreement exceed \$25,000.

## **9. Equipment, Inventory, Supplies and Signs.**

**9.1 Standards and Specifications.** AAMCO shall fix and determine all standards, specifications and requirements for the equipment, including diagnostic and technical equipment, supplies, parts, and assembly sets used by Franchisee in the Center. Franchisee may purchase these items from any source, so long as they conform to these standards and specifications. AAMCO agrees to furnish these standards and specifications to Franchisee, or to a vendor or manufacturer, without charge. Franchisee acknowledges that AAMCO may change such standards, specifications and requirements from time-to-time, and agrees to make any additional purchases of equipment and/or supplies needed to comply with such updated requirements.

**9.2 Original Equipment, Supplies and Inventory.** Franchisee agrees that, prior to the opening of the Center, Franchisee will purchase the equipment, supplies and inventory listed at Appendix A of this Agreement. Franchisee agrees to submit to AAMCO receipted invoices from the suppliers for any of these items which AAMCO may request and shall certify to AAMCO, if requested, that the items comply with the standards and specifications of AAMCO. If Franchisee requests to purchase equipment and supplies from or through AAMCO, AAMCO agrees to supply them at the price then in effect; provided, that if prior to delivery the price to AAMCO shall increase, then AAMCO may proportionately increase the price to Franchisee. If any item is not available at the time of request, then AAMCO may substitute merchandise of a similar quality, and adjust the price, after notice to Franchisee.

**9.3 Operating Inventory.** Franchisee acknowledges that the consumer acceptance, quality, and standardization of parts and assembly sets used by AAMCO Centers, and agrees that the use exclusively of parts and assembly sets which comply with AAMCO's specifications are essential conditions of the performance of this Agreement. Franchisee agrees to purchase and use parts and assembly sets which comply with AAMCO's specifications. At the request of AAMCO, Franchisee will submit a certification that Franchisee uses parts and assembly sets which comply with AAMCO's specifications.

**9.4 Product Warranties.** There are no warranties, express or implied, made by AAMCO under this Agreement for the products purchased by Franchisee, including the implied warranty of MERCHANTABILITY.

**9.5 Signs.** Franchisee agrees to erect outside and inside the Center signs of such size and construction as approved by AAMCO. No other signs may be erected or used. Franchisee acknowledges and agrees that AAMCO shall have exclusive control of the use and display of all sign faces bearing the AAMCO name or marks.

## **10. Franchise Fees and Business Reports.**

(a) During the term of this Agreement, Franchisee agrees to pay to AAMCO a franchise fee (the "franchise fee") equal to seven and one-half percent (7½%) of the gross receipts of all business transacted by Franchisee. "Gross receipts" shall mean all forms of consideration received by the Center for all work, sale of parts, supplies or accessories or services, sold, completed and delivered to customers of the Center, exclusive of sales tax. Franchisee agrees that the franchise fee shall be paid weekly on each Tuesday based upon

gross receipts during the preceding calendar week. The franchise fee shall be remitted simultaneously with a report showing its computation upon the forms or reports or in a format provided, required or approved by AAMCO. Franchisee agrees that AAMCO may, require Franchisee to submit the reports via electronic polling from Franchisee to AAMCO through the Internet or other electronic means which is compatible with software used by AAMCO for such purpose.

(b) Franchisee acknowledges and agrees that failure to furnish complete and accurate reports of business on a timely basis deprives AAMCO of the means to control and supervise the use of its marks or to communicate with members of the motoring public who are customers of AAMCO Centers. In addition to an accurate report of gross receipts in the manner or on the forms prescribed by AAMCO, Franchisee agrees to submit such copies of customer repair orders as directed by AAMCO.

(c) Franchisee agrees that the franchise fee and all other fees, charges and/or amounts owed by Franchisee under this Agreement, specifically including, but not limited to, any sums due for any advertising, whether national, regional, local and/or national creative, pursuant to section 11 below, shall be remitted to AAMCO via electronic funds transfer ("EFT") from the designated account(s) of Franchisee's financial institution. Prior to opening his/her Center, and from time to time thereafter as events may require, Franchisee agrees to provide AAMCO written authorization, and such other information as AAMCO may require, in such form as shall be approved by AAMCO, which shall authorize and/or enable Franchisee's financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit franchise fees and other sums owed under this Agreement directly to AAMCO's bank account(s).

(d) Franchisee agrees to authorize AAMCO to withdraw funds by EFT upon or after the funds become due to AAMCO under this Agreement, at such days and times as AAMCO shall determine. Franchisee agrees that it shall be an event of default under section 19.1 of this Agreement if Franchisee closes or otherwise makes Franchisee's designated account(s) inaccessible by AAMCO without completing the following before or promptly after the account is made inaccessible:

- (1) notifying AAMCO in writing of such event;
- (2) establishing another designated account(s) for EFT withdrawals; and
- (3) providing the written authorization and information required in subsection (c) above.

(e) Franchisee agrees that if AAMCO has not received from Franchisee, by 12 noon Eastern time on each Tuesday, a report of gross receipts from the Center's sales for the preceding week by written statements or business reports in the form prescribed by AAMCO under section 10 of this Agreement or by electronic polling, then AAMCO shall be entitled to withdraw by EFT from Franchisee's designated account(s) the appropriate franchise fee based on an arithmetic average of Franchisee's weekly gross sales reported to AAMCO over a number of previous weeks as determined by AAMCO or based on some other means of estimating Franchisee's gross sales as determined by AAMCO. If a business report in the form of a statement required under this section 10 is subsequently received and reflects (1) that the actual amount of the franchise fee due was more than the amount of the EFT by AAMCO, then

AAMCO shall be entitled to additional funds by EFT from Franchisee's designated account(s) for the difference or (2) that the actual amount of the franchise fee due was less than the amount of the EFT by AAMCO, then AAMCO shall credit the excess amount to the payment of Franchisee's future franchise fee.

(f) Franchisee agrees that, upon written notice from AAMCO, he may be required to pay any amount(s) due under this Agreement directly to AAMCO by check or other non-electronic means, instead of by EFT, solely at AAMCO's discretion.

## **11. Advertising.**

**11.1 National Creative Advertising Fee.** Franchisee agrees to pay a "National Creative Advertising Fee" in accordance with the formulas which will be provided by the National Creative Committee and administered by AAMCO. Payment of this National Creative Advertising Fee shall be made to AAMCO in accordance with its instructions, including compliance with section 10(c) providing for payment by EFT.

### **11.2 Local Advertising.**

(a) Franchisee acknowledges and agrees that all advertising must be approved by AAMCO in advance of its use and Franchisee agrees not to use any advertising unless and until such has been approved in writing by AAMCO. Franchisee specifically agrees to participate in the national Yellow Pages program of AAMCO, to place and pay for Yellow Pages advertising through this program, and agrees not to place Yellow Pages advertising in any other manner. Franchisee further agrees to use, display or distribute in or about the Center any advertising, promotional or informational materials that AAMCO may provide from time to time and to follow AAMCO's instructions regarding such materials.

(b) Franchisee acknowledges that, in addition to Yellow Pages advertising, it is mandatory to employ advertising at the local level and to participate in and pay for advertising programs and promotional activities at the local level. Franchisee agrees to share local advertising expenses with other franchisees in the Designated Market Area (DMA) as defined by A.C. Nielsen Company which may change from time-to-time and to execute all local ad pool documents as may be required and approved by AAMCO.

(c) If Franchisee's AAMCO Center is not part of a DMA, is the only AAMCO Center in a DMA, or in the event a majority of the Centers in the DMA vote not to implement a local advertising buy and budget, or not to have a locally administered advertising pool, then, unless Franchisee documents expenditures for local advertising pursuant to this section, Franchisee shall pay to AAMCO a weekly continuing advertising fee (the "continuing advertising fee") of either (i) for those Centers located in one of the top 20 DMAs based on population as determined by A. C. Nielsen Company, the greater of five percent (5%) of the gross receipts of the Center or \$500 or (ii) for Centers located in all other DMAs, the greater of four percent (4%) of the gross receipts or \$400, which shall be payable weekly, at the same time and in the same manner as set forth in section 10 of this Agreement; provided, however, if National or Regional Advertising is implemented pursuant to section 11.3, AAMCO may proportionally reduce this continuing advertising fee. If the local ad pool assessment is less than the continuing advertising fee, then Franchisee shall remit to AAMCO on a weekly basis the difference between the local ad pool assessment and the continuing advertising fee. If Franchisee documents, in a form directed by AAMCO, expenditures with an approved advertising agency or directly with an advertising vendor or vendors in amounts prescribed by



subparagraphs (c)(i) or (c)(ii) above, then payment of the continuing advertising fee shall be waived.

(1) The continuing advertising fee shall not be used for general operating expenses of AAMCO, but shall be used and expended for media costs, commissions, fees, production and development costs not covered by the National Creative Advertising Fee, and other costs of all advertising which is published, broadcast, displayed or otherwise disseminated, including by any electronic means such as the Internet or telephone, either during the calendar year in which such continuing advertising fee is received by AAMCO or during the immediately succeeding calendar year. AAMCO may, in its sole discretion, suspend the placement of advertising for Franchisee using such continuing advertising fees if any payments due AAMCO under this Agreement or any other agreement in effect between the parties are not paid as and when due. Any such suspension may continue until Franchisee has paid in full all sums currently owed to AAMCO. Franchisee is not relieved of any obligation to pay such continuing advertising fees during the term of any suspension. During the term of any such suspension, Franchisee shall be prohibited from placing advertising pursuant to section 11.2(g).

(2) All decisions from time to time regarding the selection of the particular media, and the advertising content, for advertising paid with continuing advertising fees shall be within the sole discretion of AAMCO and such agencies or others as it may appoint. AAMCO or its designated agencies may retain commissions or prepaid discounts for the placement of such advertising and, for any non-commissionable media, may charge a fee not to exceed ten percent (10%) for the administration and placement of such advertising.

(d) Franchisee acknowledges that AAMCO has the right to approve an advertising agency, which approval shall not be unreasonably withheld, and Franchisee agrees to place advertising only with an agency approved by AAMCO; Franchisee agrees to pay promptly fees which become due to any such agency.

(e) Franchisee agrees that, if Franchisee fails to pay promptly an amount due his advertising agency or his local advertising group or pool, then either AAMCO, or other AAMCO franchisees in the local advertising group or pool of which Franchisee is a member, or the local advertising group or pool itself shall be entitled to recover the amount due from Franchisee. Franchisee acknowledges that all local advertising benefits him and the other franchisees in the local advertising group or pool. Franchisee acknowledges that despite failure to contribute to Franchisee's local AAMCO advertising group or pool, local advertising expenditures by such group or pool confer substantial benefits on Franchisee, and further acknowledges Franchisee's responsibility for payment therefor. AAMCO specifically reserves the right to have or allow the local AAMCO advertising group or pool to seek enforcement of this obligation.

(f) Franchisee may engage in any advertising or promotion of the Center or business, in addition to the advertising or promotion set forth in this section 11, provided that such advertising or promotion shall be at the sole cost of Franchisee and without deduction or credit against any fees or other sums owed by Franchisee under this section 11.

(g) Franchisee agrees not to create, maintain or use a web site or other form of electronic media not paid for or approved in writing by AAMCO for the purpose of advertising or promoting the Center or business; not to create or adopt, use or register any domain name that uses in any manner, the AAMCO names and marks; and, not to establish any

HTML or other link between any web site created, maintained or used by Franchisee and AAMCO's home page(s) or other part of its web site(s) without AAMCO's prior written approval.

### **11.3 National or Regional Advertising.**

(a) Franchisee agrees to participate in advertising programs at the national and/or regional levels if and when established or directed by AAMCO by paying to AAMCO a National or Regional Advertising Fee. Franchisee agrees to pay this National or Regional Advertising Fee in accordance with reasonable formulas provided by AAMCO. Payment of such National or Regional Advertising Fee shall be made in accordance with AAMCO's instructions.

(b) Franchisee agrees that AAMCO may, from time to time, designate an AAMCO web site for the purpose of advertising the AAMCO names and marks and services associated with the System as well as individual Centers. Franchisee acknowledges and agrees that all parts of the designated web site, including any web page(s) dedicated to the Center, are the property of AAMCO and that AAMCO has sole and exclusive right and authority to change or terminate the web site in total or in part, as AAMCO deems appropriate.

## **12.**

### **12.1 Insurance.**

(a) Franchisee agrees to purchase and, at all times during the term of this Agreement, maintain in full force and effect policies of insurance as follows: (i) Worker's Compensation insurance, in amounts prescribed by law; (ii) insurance against all types of public liability including employer's liability insurance, liability insurance under a comprehensive general liability policy, with bodily injury and property damage liability insurance, garage liability, garage keeper's legal liability and direct primary coverage, products liability or completed operations liability insurance, automobile liability insurance, including owned and non-owned hired motor vehicles, and customer automobile liability insurance; and (iii) such additional insurance as may be required by the terms of any lease for the premises of the Center.

(b) Franchisee agrees that all policies of insurance required under this section shall be in form with companies reasonably satisfactory to AAMCO and in such amounts as AAMCO shall reasonably determine, which amounts, in no event, shall be less than \$1,000,000 per occurrence, bodily injury and property damage combined. Franchisee acknowledges and agrees that AAMCO reserves the right to increase the amounts of insurance required by this section and further agrees to comply with such increased amounts after notice from AAMCO. AAMCO agrees to act reasonably in determining such increased amounts. Franchisee agrees that such policies shall protect, as named insureds, Franchisee, AAMCO and any other party designated by AAMCO and that such policies shall contain an endorsement which provides that only actual notice to insured, if an individual, or to any executive officer of insured, if a corporation, shall constitute knowledge of the insured. Franchisee agrees to furnish to AAMCO, any other named insured, and all other persons designated by AAMCO, certificates issued by each of Franchisee's insurers indicating that all required insurance is in full force and effect and will not be terminated or changed without at least thirty (30) days prior written notice from the insurer to each certificate holder. New certificates evidencing renewal of such insurance shall be furnished at least thirty (30) days prior to the date of expiration of each such policy. Within five (5) days of any request by AAMCO, Franchisee agrees to deliver the original of all such insurance policies to AAMCO for examination.

(c) If Franchisee fails to obtain or maintain any insurance policy containing all the coverages, clauses and provisions required under this section, AAMCO may, at its election, obtain and maintain such insurance for and in the name of Franchisee. Within fifteen (15) days of any written request of AAMCO, Franchisee agrees to furnish all information necessary to obtain and maintain such insurance and to pay all costs thereof.

**12.2 Indemnity Agreement.** Franchisee agrees to protect, defend and to hold harmless and indemnify AAMCO from any and all claims, demands, losses, damages, costs, suits, judgments, penalties, expenses and liabilities of any kind or nature (collectively "Claims"), and to pay to AAMCO all costs, expenses and liabilities which may be associated with such Claims, which are based on or arise out of or relate in any way to the operation or the condition of Franchisee's Center or this Agreement. This agreement to indemnify AAMCO set forth in this section shall be given effect whether the Claim arises indirectly or directly out of the Center's operation, Franchisee's conduct of his business there, the ownership or possession of real or personal property there or from or by any act of negligence, omission or willful conduct by Franchisee or by any of his employees, servants or agents. The minimum amounts of insurance outlined in section 12.1 shall not be construed to limit liability under this section of the Agreement. Franchisee also agrees by this Agreement to pay on behalf of AAMCO any and all fees, costs, or other expenses which AAMCO reasonably incurs as a result of any investigation or defense of any such claim, including reasonable attorneys' fees.

### **12.3 Independent Contractor and Relationship of the Parties.**

(a) Franchisee acknowledges and agrees that the relationship between AAMCO and Franchisee is strictly that of a franchisor and a franchisee and Franchisee is an independent contractor and not an agent, employee, partner or joint venturer of AAMCO for any purpose whatsoever. This Agreement does not create a joint venture, partnership, or agency and any act or omission of either party shall not bind nor obligate the other, except as expressly set forth in this Agreement. Franchisee agrees that he is not authorized in any way to make a contract, agreement or promise, or to create any implied obligation on behalf of AAMCO and agrees not to do so.

(b) Franchisee agrees that, in all public records and in relationships and dealings with third parties, as well as on stationery, letterheads and business forms, to indicate Franchisee's independent ownership of the Center and that Franchisee is a franchisee of AAMCO. Franchisee agrees to conspicuously display both inside and outside the Center a notification that the Center is independently owned and operated.

(c) Franchisee recognizes that AAMCO has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee does and will have full responsibility and authority for the management and operation of the Center; and that Franchisee's success, and that of all Centers, depends on adherence to the highest standards of business practice and on the maintenance of prompt, efficient, courteous, workmanlike and satisfactory service to the public.

## **13.**

### **13.1 AAMCO Names, Marks and Trade Secrets; Protection of the System.**

(a) Franchisee hereby acknowledges the validity of the AAMCO names and marks and that AAMCO is the owner of all right, title and interest in such names and marks.

Franchisee agrees that he will use the AAMCO names and marks only in full compliance with specifications prescribed from time to time by AAMCO and that all such usage and the goodwill established thereby shall inure to the exclusive benefit of AAMCO. Except as expressly granted in this Agreement, Franchisee acknowledges and agrees that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in the AAMCO names and marks, trade secrets, methods, procedures or techniques developed by AAMCO and used in the System. Further, except as provided for herein, nothing contained herein shall be construed as limiting AAMCO's right, title or interest in the AAMCO names and marks, trade secrets, methods, procedures and techniques which are a part of the System or AAMCO's sole and exclusive right to register, to use and to license others to use such names and marks, trade secrets, methods, procedures and techniques.

(b) Franchisee represents, warrants and agrees that:

(1) Franchisee will not contest, directly or indirectly, AAMCO's ownership, title, right or interest in the AAMCO names and marks, trade secrets, methods, procedures and techniques which are a part of the System or contest AAMCO's sole right to register, to use, and to license others to use such AAMCO names and marks, trade secrets, methods, procedures and techniques and any other mark or name which incorporates the word "AAMCO"; and

(2) with the exception of the use of the names and marks in the manner expressly specified and authorized under this Agreement and the registration of a fictitious name solely in connection with the operation of the Center, Franchisee will not use or register or attempt to use or register in Franchisee's name or in the name of any other person or entity any name or mark, corporate name or any designation of any kind using the AAMCO names and marks, or any other materials or electronically transmitted information used in the System.

**13.2 Non-Disclosure.** Franchisee agrees that, except in the ordinary course of business of the operation of his Center, Franchisee will not disclose or furnish to any person or entity any information or data concerning AAMCO's service program, training, diagnostic and technical materials, operations techniques, advertising or promotion ideas, or concerning the financial status of AAMCO, and that Franchisee will keep and maintain such data, information and materials as trade secrets of AAMCO. Franchisee acknowledges and agrees that AAMCO is the sole owner of all rights to the AAMCO service program, and of all books, manuals or documents provided to Franchisee for the operation of his Center. Franchisee recognizes that AAMCO has expended substantial funds and effort in the development of its service program, training, diagnostic and technical materials, and operating techniques, and he specifically agrees not to disclose or use AAMCO training or policy manuals, catalogues, lists, forms or aids provided by AAMCO for any purpose other than those permitted by this Agreement.

### **13.3 Protection of System.**

If Franchisee learns of any actual or threatened infringement or piracy of the AAMCO names and marks, trade secrets, methods, procedures or techniques used in the System (the "Infringement") or of any infringement or piracy claim made against Franchisee by a party other than AAMCO ("Third Party Claim"), Franchisee agrees to immediately notify AAMCO in writing of the Infringement or Third Party Claim. AAMCO shall have the right to determine what action, if any, to take with respect to such Infringement or Third Party Claim and shall bear the expense of any such action. Franchisee agrees to give his full cooperation in such action if

so requested by AAMCO. If Franchisee is named as a party in any legal proceeding brought by a party other than AAMCO for infringement of trade names, trademarks, service marks, copyrights or trade secrets based upon Franchisee's use of the AAMCO names and marks, any such proceeding shall be defended and held harmless in the name of Franchisee, by and at the expense and direction of AAMCO.

#### **14.**

**14.1 Warranty Program.** Franchisee agrees to honor each warranty presented by an AAMCO customer in accordance with its terms, regardless of whether the service was rendered at his Center or at some other authorized AAMCO Center. Franchisee agrees to comply at all times with AAMCO's policies concerning the AAMCO warranty program.

**14.2 Warranty Payment Rates.** Franchisee shall be entitled under this Agreement to receive from another AAMCO Center the costs of supplies, accessories and parts which Franchisee uses in honoring the warranty, plus a sum of money based on either an hourly rate for labor or a flat fee, depending on the extent of repairs required. The payment rate used in making payments under this section will be determined by AAMCO and published to all franchisees. Franchisee agrees to immediately pay to any other AAMCO Center the amount due to such other Center for honoring of a warranty issued to a customer of Franchisee. If Franchisee fails to pay promptly any amount due under this section, AAMCO shall be entitled to recover such amount from Franchisee for the benefit of the other AAMCO Center, or to credit such other Center for money which may be due and owing to Franchisee for such payments.

**14.3 Prohibition Against Other Warranties.** Franchisee agrees to make no warranties or guarantees other than those contained in the printed forms of warranty issued or approved by AAMCO. Franchisee acknowledges and agrees such warranties and guarantees are made by Franchisee to the customer and that there are no warranties expressed or implied made by AAMCO to the customer or to Franchisee in connection with any product or service furnished under this Agreement.

#### **15. Telephone Service.**

(a) Franchisee acknowledges and agrees that all published telephone numbers and directory listings for the Center are the property of AAMCO. Franchisee may not make any changes to the local carrier, service or account name without the prior written authorization of AAMCO. If AAMCO takes any action pursuant to this section 15, the telephone company and all listing agencies, without liability to Franchisee, may accept this Agreement and the directions by or on behalf of AAMCO as conclusive of the exclusive rights of AAMCO in such telephone numbers and directory listings and its authority to direct their amendment, termination or transfer.

(b) AAMCO may transfer, suspend or remove Franchisee's telephone service for any published telephone numbers appearing under the AAMCO trade name or trademarks in directory listings, advertising and yellow pages advertising in the event of (i) termination, rejection, expiration or rescission of this Agreement or (ii) an uncured breach of section 8(a), 8(b), 8(i), 8(j), 8(l) or 8(o) of this Agreement, or a breach of AAMCO's credit policy as established by AAMCO.

#### **16. National Fleet Accounts Program.**

AAMCO, as part of the System, maintains a national fleet accounts program by which transmissions and other automotive repairs are provided to national or regional fleet accounts at designated AAMCO Centers, at agreed prices and processed through a centralized billing system ("national fleet accounts program"). If Franchisee decides to participate in AAMCO's national fleet accounts program, then Franchisee specifically agrees to accept and perform any automotive repair work that the vehicle may require in accordance with AAMCO's service standards, offer and honor such warranties as are required under AAMCO's agreement with the fleet account, charge and accept payment for all repairs in accordance with the price agreed between AAMCO and the fleet account for the particular type of repair, complete and provide such data, reports and/or documentation as AAMCO may require in administering the national fleet accounts program, and purchase and/or subscribe to any necessary hardware or software to interface with AAMCO's centralized billing system. Franchisee agrees that AAMCO retains all rights to the software used in connection with the national fleet accounts program.

#### **17. Defaults in Payment and Expenses.**

(a) Franchisee agrees to pay all third party costs (and in-house attorneys fees if a legal proceeding is instituted) incurred by AAMCO in collecting franchise fees, advertising fees and all other payments due under this Agreement and in enforcing the provisions of this Agreement.

(b) Franchisee agrees to pay AAMCO a late charge upon all amounts due and owing to AAMCO in an amount equal to one and one-half percent (1-1/2%) of the average unpaid balance per month. If a court of competent jurisdiction determines that the late charge violates any usury or similar law, then the late charge will, instead, be the maximum amount allowed under applicable law. In addition, for each gross weekly business report not received by AAMCO within two (2) weeks from the date on which it was due, Franchisee agrees to pay AAMCO a late charge of ten dollars (\$10.00) per report, per week. The payment of any such late charge will not be deemed to allow or excuse delay in the timely submission of reports or in payment of sums due.

(c) Franchisee agrees that he is responsible for paying all service charges and other fees resulting from Franchisee's financial institution in connection with EFT including, without limitation, any and all service charges and other fees arising in connection with any EFT by AAMCO that is not honored or processed by Franchisee's financial institution for any reason. Further, Franchisee shall pay AAMCO a fifty dollar (\$50.00) charge for reprocessing any EFT not originally honored or processed by Franchisee's financial institution.

(d) If a local advertising group or pool becomes entitled to recover amounts from Franchisee by virtue of such an action pursuant to section 11 of this Agreement, then Franchisee acknowledges that such group or pool shall be entitled to recover, in addition to any judgment or award, an amount equal to the costs and reasonable attorneys' fees therefor.

(e) If Franchisee fails to pay the National Creative Advertising Fee and/or for Yellow Pages advertising, then Franchisee acknowledges and agrees that AAMCO has the right (1) to direct any publisher of a Yellow Pages advertising directory to omit Franchisee's listing from such directory and (2) to withhold all television and radio tapes from Franchisee, until all sums owed plus interest and any costs of collection, including attorneys' fees, have been paid in full.

#### **18.**

### **18.1 Restrictions on Change of Ownership.**

(a) Franchisee agrees that all rights, interests and obligations of Franchisee arising from or under this Agreement are personal to Franchisee and, except as otherwise provided in this section 18, Franchisee shall not, without AAMCO's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer or encumber Franchisee's interest in this Agreement, and/or in the franchise granted hereby, or in the lease for the premises at which the Center is located.

(b) If Franchisee, as an individual, desires to form a corporation, partnership or a limited liability company ("entity") for the operation of the AAMCO Center and to have rights under this Agreement, he may do so only upon the following terms and conditions:

(1) Franchisee's name remains on the Agreement and the entity is added as a co-franchisee on the Agreement.

(2) The entity is newly organized and its activities are confined exclusively to acting as an AAMCO franchisee under this Agreement.

(3) Franchisee continues to devote his best efforts to the day-to-day operation and development of the franchise and the business of the Center.

(4) Franchisee is the owner of the majority of the stock, partnership interests or membership units of the entity, is the principal executive officer of the entity and has full and complete authority to act for the entity. In the event of the death of Franchisee who is the majority shareholder, partner or member of such entity, then the provisions of section 18.2 below will apply, except that such heir or next of kin must hold a majority interest in the entity, be a principal executive officer of the entity and must have full and complete authority to act for the entity.

(5) All money obligations of Franchisee under this Agreement must be satisfied.

(6) The entity executes a document with AAMCO in such form as shall be approved by AAMCO in which it agrees to be a party to, be bound by all the provisions of this Agreement.

(7) Franchisee remains personally liable in all respects under this Agreement and Franchisee and all officers, directors, shareholders, partners, and/or members of the entity with at least a twenty-five percent (25%) interest execute in form approved by AAMCO a personal guaranty and agreement not to further transfer the stock, partnership interests or membership units, except as otherwise provided for herein.

(8) The entity shall disclose in writing the names and addresses of all of its officers and directors, partners or members and, whenever there is a change in any such officer, director, partner or member, shall immediately notify AAMCO of such change. Franchisee acknowledges that AAMCO has the right to approve the officers, directors, partners and members, which approval shall not be unreasonably withheld, and agrees that any such individual not approved by AAMCO will be immediately removed from such position and shall not be permitted to have any involvement in the operation of the entity or the AAMCO Center.

(c) If Franchisee organizes or has organized a corporation, partnership or limited liability company in connection with the operation of the Center, the shares of stock, partnership interests or membership units shall not be sold, assigned, pledged, mortgaged or transferred without the prior written consent of AAMCO. There may be a sale of all of the shares of stock, partnership interests or membership units of the entity subject to the same conditions listed in subparagraph (b) above to a purchaser, as though the person acquiring were a purchaser under section 18.2 of this Agreement. All ownership certificates shall have endorsed upon them the following:

The transfer of this stock (or membership unit) is subject to the terms and conditions of a Franchise

Agreement dated , 200\_\_, between AAMCO Transmissions, Inc. and

(d) Franchisee agrees that this Agreement may not be transferred by a corporation, partnership or limited liability company by transfer of stock, partnership interests, membership units or by any other means.

## **18.2 Sale, Assignment or Transfer.**

(a) If Franchisee, or Franchisee's personal representative in case of Franchisee's death or incapacity, desires to sell the Center and receives from a third-party a bona fide written offer to purchase the Center, and obtain a transfer of the franchise under this Agreement, or if Franchisee desires to sell the stock, interests or units of any entity to which the Center has been transferred pursuant to this Agreement, Franchisee agrees to give AAMCO written notice and a copy of such offer and AAMCO shall have the option, exercisable within thirty (30) days after receipt of such notice, to purchase such Center, or stock, interests or units, including the lease, on the same terms and conditions as offered by the third party provided that AAMCO may substitute equivalent cash for any form of payment offered by the third party; provided, however, that this option shall not be available to AAMCO if the offer to purchase is from Franchisee's partner or immediate family member, or a Center employee. If AAMCO does not exercise its option and if such third party is of good character, reputation and financial condition and acceptable to AAMCO, Franchisee shall have the right for a period of ninety (90) days after the expiration of AAMCO's option period to accept the offer and to sell the Center to such third party, subject to the provisions of section 18.2(c) below;

(b) If Franchisee dies and his personal representative does not desire to sell the Center, and if under controlling local law, the deceased Franchisee's interests in the Center, and this Agreement are distributable to heirs or legatees who are members of his immediate family and who otherwise would qualify as assignees under the terms of this section, then such attempted assignment by operation of law shall not be deemed in violation of this Agreement, provided that such heirs or legatees accept and fulfill the conditions imposed in section 18.2(c).

(c) If Franchisee desires to sell the Center, Franchisee may do so provided that the purchaser is first approved by AAMCO. AAMCO agrees to approve such prospective purchaser if the purchaser has satisfactory credit ratings, has good moral character and has a reputation and business qualifications satisfactory to AAMCO, and provided further that:



(1) all prior, ascertained or liquidated debts of Franchisee in connection with the Center, including all sums due under the Franchise Agreement, specifically without limitation sums owed for franchise fees, local, regional, national, national creative or yellow page advertising, sums owed to an advertising agency, sums due other AAMCO Centers and any amounts due because of a default of any provision of this Agreement are paid concurrently with the assignment, sale or transfer;

(2) all warranty, intershop and customer service obligations of Franchisee in connection with the Center are assumed by assignee, buyer or transferee;

(3) Franchisee is not subject to an uncured notice of default under this Agreement and all monetary obligations to AAMCO or the applicable advertising pool are satisfied prior to or upon a sale, assignment or transfer;

(4) the assignee, buyer or transferee, prior to the effective date of the assignment, sale, or transfer, satisfactorily completes the AAMCO training program required of new franchisees;

(5) the assignee, buyer or transferee executes AAMCO's then current standard franchise agreement for a full fifteen-year term;

(6) Franchisee, assignee, buyer or transferee, prior to the assignment, sale or transfer, pays to AAMCO its then current training fee and franchise issuance fee of six thousand dollars (\$6,000) in connection with the administration and approval of such assignment, sale and issuance of a franchise to such assignee, buyer or transferee; and

(7) Franchisee and all shareholders, partners, members or other person or persons having control of a corporate or similar entity shall execute a general release under seal of all Claims in favor of AAMCO and a termination of franchise.

(d) If Franchisee sells his AAMCO Center without the aid or assistance of AAMCO then the purchaser must sign a current form of franchise agreement. The purchaser has the option of signing an agreement for only the balance of Franchisee's term at the franchise fee being paid by Franchisee, or, of signing an agreement for a fifteen (15) year term, the first portion of the term will be for the balance of Franchisee's term at the franchise fee being paid by Franchisee, and the second portion of the term will be for the remainder of the fifteen (15) year term at the franchise fee being charged by AAMCO for new franchises as of the time of the purchase.

(e) If Franchisee has listed his Center with AAMCO or the purchaser has received a presentation from AAMCO's franchise sales department within the past 12 months, then the purchaser must sign a current form of franchise agreement for a fifteen (15) year term at the franchise fee being charged by AAMCO for new franchises as of the time of the purchase.

**18.3 Attempted Sale, Assignment or Transfer.** If Franchisee attempts to sell, assign or transfer his AAMCO Center without following the procedures required by this Agreement, then any such attempted sale, assignment or transfer is void. In the event that such attempted assignment or transfer is to an entity wholly or partially owned or controlled by Franchisee, then, at AAMCO's option, Franchisee agrees on behalf of the entity that the attempted assignment or transfer shall subject the entity to all the terms and conditions of this Agreement. Franchisee shall remain jointly and severally liable for all obligations and

responsibilities of this Agreement, including money owed, despite any such attempted and/or unauthorized sale, assignment or transfer of Franchisee's AAMCO Center.

**19.**

**19.1 Termination.**

(a) AAMCO, at its option, and without prejudice to any other rights or remedies which it may have under this Agreement, at law or in equity, may terminate this Agreement by giving written notice to Franchisee upon the occurrence of any of the following:

(1) if Franchisee fails to complete the initial training program to AAMCO's satisfaction, this Agreement will be terminated immediately; or

(2) if Franchisee is delinquent in the payment of the franchise fee or any advertising fee or sum, or any other payment due AAMCO or under this Agreement;

(3) if Franchisee shall be adjudicated a bankrupt or declared insolvent; if a temporary or permanent receiver of Franchisee's property or any part thereof is appointed by a court of competent authority; if Franchisee makes a general assignment for the benefit of Franchisee's creditors; if execution is levied against Franchisee's business or property; if Franchisee abandons the Center or ceases its operation for a period of more than five (5) consecutive business days;

(4) if Franchisee sells or attempts to sell, transfer or assign rights in the Center and/or under this Agreement without the approval of AAMCO as required by this Agreement;

(5) if Franchisee terminates or attempts to terminate or rescind this Agreement for any reason;

(6) if Franchisee fails to make any payments to an advertising agency and/or a local advertising group or pool or to make any other advertising payment required by section 11 of this Agreement;

(7) if Franchisee defaults in the performance of any of the other terms, conditions and obligations of this Agreement or of his lease for the premises at which the Center is located.

(8) if, Franchisee breaches paragraph 8(a) or 8(c).

(b) Upon receipt of notice pursuant to section 19.1(a), Franchisee shall have ten (10) days within which to cure completely any default based on a failure to make any payment required under any provision of this Agreement or based on ceasing to operate the Center for a period of five (5) consecutive business days. For any other default, except as set forth below in sections 19.1(c) and (d), Franchisee shall have thirty (30) days within which to cure completely any such default. Failure of Franchisee to effect such cure within the cure period shall result in the immediate termination. It shall be Franchisee's responsibility to advise AAMCO of attempts to cure any default.

(c) Notwithstanding anything contained herein to the contrary, AAMCO shall not be required to give Franchisee notice in the case of a default under this Agreement or

to afford Franchisee any period within which to cure the default, if within twelve (12) months immediately preceding the occurrence of such default, Franchisee has been given notice of the same default under Section 8(a); 8(b); 8(i); 8(j); 8(l) or 8(o) of this Agreement or notice of failure to pay any sum under this Agreement when due on three (3) prior occasions, whether or not such default has been cured. In such event, AAMCO may terminate this Agreement immediately and without prior notice of such default.

(d) Any notice of termination which is based, in whole or in part, upon the fraudulent acts of Franchisee or on Franchisee's failure to deal honestly and fairly with AAMCO or with any customer of the Center or upon a breach of section 8.1(a) or (c), shall be effective upon receipt by Franchisee, and the provisions of section 19.1(b) shall not be applicable thereto.

(e) If there are now, or hereafter shall be, other franchise agreements and/or notes, security agreements, other debt instruments, or other agreements in effect between AAMCO and Franchisee, a default by Franchisee under the terms and conditions of this or any other of such agreements shall, at the option of AAMCO, constitute a default under all such agreements.

## **19.2 Effect of and Procedures after Termination.**

(a) Franchisee agrees that upon the termination or expiration of this Agreement for any reason, including, without limitation, termination upon the expiration of its current term by virtue of Franchisee's failure to renew as provided in section 3 (sometimes herein "expiration"), Franchisee shall cease to be an AAMCO franchisee and shall:

(1) promptly pay AAMCO all amounts due and owing under this Agreement;

(2) immediately and permanently discontinue the use of all AAMCO names and marks, signs, structures, all forms of advertising, telephone listings and service, manuals, software and all materials and products of any kind which are identified or associated with the System or AAMCO and return all such materials and products, including without limitation, the Operator's Manual, to AAMCO;

(3) thereafter make no representations or statements for commercial benefit that Franchisee is or ever was in any way approved, endorsed, associated or identified with AAMCO or the System in any manner whatsoever or that Franchisee is a former AAMCO franchisee; provided, however, Franchisee shall reimburse AAMCO for all customer warranty repairs made within an applicable warranty period arising from work performed at the Center;

(4) immediately take all steps necessary to amend or terminate any registration or filing of any fictitious name or any other registration or filing containing the AAMCO names and marks in order to effectuate the removal of the AAMCO names and marks from such registration or filing; and

(5) thereafter refrain from establishing any HTML or other link between any web site created, maintained or used by Franchisee and AAMCO's home pages(s) or other part of its web site(s).

(b) Upon termination or expiration, AAMCO shall have the option to purchase all of Franchisee's right, title and interest in the Center and all equipment contained therein. If AAMCO intends to exercise its option, AAMCO shall notify Franchisee of such intention within ten (10) days of the time of termination or in the case of expiration, within ten (10) days prior to the expiration of the current term of this Agreement. The full purchase price of the Center shall be:

(1) in the case of expiration, the fair market value of the equipment and parts then located at the Center less all outstanding liabilities of the Center;

(2) in the case of all other terminations, the lesser of the fair market value of the equipment and parts then located at the Center or Franchisee's cost, less depreciation on the equipment computed on a fifteen (15) year straight line basis, less all outstanding liabilities of the Center. AAMCO shall have the right to withhold from the purchase price funds sufficient to pay all outstanding debts and liabilities of the Center and to pay such debts and liabilities from such funds. If such liabilities exceed the purchase price of the equipment and parts, AAMCO shall apply the purchase price in such manner as AAMCO, in its sole discretion, shall determine. In no event, however, shall AAMCO become liable for any of the debts and liabilities of Franchisee or the Center and Franchisee shall remain responsible for all outstanding debts and liabilities of the Center which remain unsatisfied subsequent to the distribution by AAMCO of the purchase price funds;

(3) "Fair Market Value" as used in this section 19.2, shall be determined by an appraisal from an independent third party acceptable to both AAMCO and Franchisee, the costs of which shall be borne equally by AAMCO and Franchisee.

(c) If, within five (5) days after termination or expiration, Franchisee fails to remove all displays of the AAMCO names and marks and any other materials of any kind from the Center which are identified or associated with the System or AAMCO, AAMCO may enter the Center or premises to effect such removal. In such event, AAMCO shall have no liability to Franchisee therefor, nor shall AAMCO be accountable or required to pay for such displays or materials.

(d) If, within three (3) days after termination or expiration, Franchisee has not taken all steps necessary to amend, transfer or terminate telephone listings and service, any registration or filing of any fictitious name or any other registration or filing containing the AAMCO names and marks, Franchisee hereby irrevocably nominates, constitutes and appoints AAMCO or any prothonotary, clerk of court, or attorney of any court of record as his true and lawful attorney for him and in his name and on his behalf to take all such action as may be necessary to amend, transfer or terminate all such telephone listings and service, registrations and filings of such fictitious name or any other registration or filing containing the AAMCO names and marks, without liability to Franchisee for so doing. If any action is required to be taken by or on behalf of AAMCO pursuant to this subsection 19.2(d), the telephone company and all listing agencies and publishers, without liability to Franchisee, may accept this Agreement and the directions by or on behalf of AAMCO as conclusive of the exclusive rights of AAMCO in such telephone numbers and directory listings and its authority to direct their amendment, termination or transfer and Franchisee hereby releases and waives any claim of any kind that he may have against any telephone company, publisher or listing agency as a result of their implementing the transfer, amendment or termination set forth herein.

(e) Termination or expiration of this Agreement shall not affect, modify or discharge any claims, rights, causes of action or remedies, which AAMCO may have against Franchisee, whether under this Agreement or otherwise, for any reason whatsoever, whether such claims or rights arise before or after termination or expiration.

(f) Franchisee hereby irrevocably authorizes AAMCO to enter upon and take possession of the Center and to take, in the name of Franchisee, all other actions necessary to effect the provisions of this section, and any such entry or other action shall not be deemed a trespass or other illegal act, and AAMCO shall not be liable in any manner to Franchisee for so doing.

**20. Covenant Not-to-Compete.** Franchisee acknowledges that as a franchisee of AAMCO and a participant in the System, Franchisee will receive or have access to confidential information and materials, trade secrets, and the unique methods, procedures and techniques developed by AAMCO. Franchisee further acknowledges that the development of the marketplace in which his Center is located is solely as a result of the AAMCO name and marks. Therefore, to protect the System, the AAMCO name and marks and AAMCO, and to induce AAMCO to grant Franchisee the franchise set forth in this Agreement, Franchisee represents and warrants:

(a) Except for the business contemplated by this Agreement or except as approved by AAMCO pursuant to section 8(e) above, during the term of this Agreement, Franchisee shall not engage in any business the same as, similar to, or in competition with any Center, AAMCO or the System.

(b) For a period of two (2) years after the termination of this Agreement for any reason, which two-year period shall not begin to run until Franchisee commences to comply with all obligations stated in this section 20, Franchisee shall not:

(1) within a radius of ten (10) miles of Franchisee's former Center and ten (10) miles of any other Center in operation at the time of termination or any Center that has commenced operation during the two-year period, begin or engage in any business the same as, similar to or in competition with such Center, except for a business previously approved by AAMCO pursuant to section 8(e); or

(2) within the territorial boundaries of the United States, Canada, Mexico, Puerto Rico, Australia, and the Virgin Islands, as a licensor, franchisor, or similar organization, engage in any business, the same, similar to, or in competition with, AAMCO or the System, except for a business previously approved by AAMCO pursuant to section 8(e) above.

(c) As used in subsections 20(a) and 20(b) above:

(1) "engage in" shall include, but not be limited to, activities, whether direct or indirect, as an individual proprietor, partner, shareholder, director, officer, principal, broker, agent, employee, consultant, lender, unless such activities are directly as a result of the sale of the AAMCO Center pursuant to this Agreement; and

(2) "in competition with" shall include, but not be limited to:

(i) the request of any present or future supplier, customer or operator of a Center to curtail or cancel its business relationship with any Center, AAMCO or the System, (ii) the disclosure of the identity of any past, present or future customer, supplier or operator of any Center, and (iii) the solicitation, canvassing or the authorization of any other person to solicit or canvass any past, present or future customer, supplier or operator of a Center. As used in this section 20(c)(2), "future supplier, customer or operator" shall mean a supplier, customer, or operator who will have had a business relationship with a Center, AAMCO or the System during the term of this Agreement or during a period of one (1) year following the termination of this Agreement.

(d) Franchisee acknowledges that, in view of the nature of the System, the business of AAMCO, and the strength of the AAMCO names and marks, the restrictions contained in this section 20 are reasonable and necessary to protect the legitimate interests of the System and AAMCO and that any violation of such restrictions will result in irreparable injury to the System or AAMCO. Therefore, Franchisee acknowledges that, in the event of such violation, AAMCO shall be entitled to preliminary and permanent injunctive relief and damages as well as an equitable accounting of all earnings, profits, and other benefits arising from such violation, which remedies shall be cumulative and in addition to any other rights or remedies to which AAMCO shall be entitled, and the arbitration provision of section 28 shall not apply to any equitable proceeding seeking enforcement of the provisions of this section 20. If Franchisee violates any restriction contained in this section 20, and it is necessary for AAMCO to seek equitable relief, the restrictions contained herein shall remain in effect until two (2) years after such relief is granted.

(e) Franchisee agrees that the provisions of this covenant not-to-compete are reasonable. If, however, any court should hold that the duration or geographical limits of any restriction contained in this section 20 are unreasonable, the parties agree that such determination shall not render the restriction invalid or unenforceable, but that such restriction shall remain in full force and effect for such duration and within such geographical limits as the court shall consider reasonable.

## **21. No Waiver.**

Waiver by AAMCO or Franchisee of any violation or default under this Agreement shall not alter or impair either party's right with respect to any subsequent violation or default nor shall any delay or omission on the part of either party to exercise any right arising from such violation or default alter or impair such party's rights as to the same or any future violation or default. An acceptance by AAMCO of any payment from Franchisee after the date on which such payment is due shall not operate as a waiver of Franchisee's default or violation hereunder nor alter or impair AAMCO's rights with respect to such violation or default.

## **22. Successors.**

Except as otherwise specifically set forth in this Agreement, this Agreement shall inure to and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns. AAMCO shall have the right to assign its rights, interests and obligations under this Agreement, provided that the assignee shall agree in writing to assume all obligations undertaken by AAMCO under this Agreement.

## **23. Notice.**

Whenever this Agreement requires notice, it shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, or by a recognized overnight carrier addressed to the party to whom it is directed at the address set forth above or at such other address as one party shall provide to the other in writing. All notices shall be effective three (3) business days after being deposited, postage prepaid, or upon the date of actual receipt or rejection, whichever shall occur first.

**24. Risk of Operations.**

Franchisee acknowledges that there are uncertainties inherent in all business ventures. Franchisee acknowledges that Franchisee has conducted a thorough and independent investigation and, based on that investigation, desires to enter into this Agreement and undertake the business of owning and operating an AAMCO Center. Franchisee agrees and acknowledges that, except as specifically set forth in this Agreement, no representations or warranties, express or implied have been made to Franchisee, either by AAMCO or anyone acting on its behalf or purporting to represent it, including, without limitation any such representations or warranties relating to the prospects for successful operations, the level of business, sales or profits that Franchisee might reasonably expect, the desirability, profitability or expected traffic volume or profit of the Center (whether or not AAMCO assisted Franchisee in the selection of the location of the Center), the costs of equipping or the amount or type of equipment necessary or appropriate to the operation of the Center or as to the quality of any products or services to be sold by Franchisee to its customers. Franchisee acknowledges that all such factors are necessarily dependent upon variables beyond AAMCO's control, including without limitation, the ability, motivation and amount and quality of effort expended by Franchisee.

**25. Severability.**

If any portion, term or provision of any section of this Agreement shall be decided by any court to be in conflict with the law of any state or jurisdiction, the conflicting term or provision shall be construed in accordance with the specific provisions of the applicable law, and the remaining portions, terms or provisions of the section, as well as the remainder of this Agreement, shall remain in full force and effect.

**26. Jurisdiction, Venue and Controlling Law.**

**26.1** This Agreement and all related agreements have been entered into in the Commonwealth of Pennsylvania and any matter whatsoever which arises out of or is connected in any way with the Agreement or the franchise granted shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

**26.2** With respect to any legal proceedings arising out of or connected in any way to this Agreement or the franchise, Franchisee and AAMCO consent to the jurisdiction and venue of any court of general jurisdiction of Montgomery County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania, and any legal proceedings arising out of this Agreement shall be brought only in such courts and not in any other courts. The parties further agree that the mailing by certified or registered mail, return receipt requested or by an overnight carrier service that provides a receipt to such party's last known address of any process shall constitute lawful and valid process.

**26.3** In any court proceeding brought by either party arising out of or based upon this Agreement or its performance, the prevailing party shall recover all court costs, attorneys' fees and other expenses relating to such proceeding from the non-prevailing party.

**27. JURY WAIVER.**

FRANCHISEE AND AAMCO HEREBY AGREE THAT THEY SHALL AND HEREBY DO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM, OR IN ANY MATTER WHATSOEVER WHICH ARISES OUT OF OR IS CONNECTED IN ANY WAY WITH THIS AGREEMENT OR ITS PERFORMANCE.

**28. Mediation and Arbitration.**

(a) Non-binding mediation of disputes, controversies or claims arising out of or related to this Agreement shall be conducted, solely at Franchisee's option, in Philadelphia, Pennsylvania, Chicago, Illinois or Bethesda, Maryland in accordance with established procedures.

(b) All disputes, controversies or claims arising out of or relating to this Agreement shall be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor, except for termination by AAMCO which is based, in whole or in part, upon the fraudulent acts of Franchisee or Franchisee's failure to deal honestly and fairly with any customer of the Center or Franchisee's failure to accurately report his gross receipts to AAMCO or actions for equitable relief related to the uncured misuse of proprietary marks, confidential information or other intellectual property of AAMCO or Franchisee's non-compliance with the covenant not-to-compete. Arbitration shall be conducted in Philadelphia, Pennsylvania, unless otherwise agreed to by the parties. The decision of the Arbitrator shall be final and binding on the parties and judgment upon the award may be entered in any court having jurisdiction. Each party shall be responsible for the payment of its legal expenses and the fees and expenses of arbitration except that the fee of the Arbitrator shall be paid by the non-prevailing party. The Arbitrator shall have no authority to alter or modify any provision of this Agreement or to render an award which by its terms results in such an alteration or modification. The parties specifically acknowledge and agree that no class action and multiparty claims shall be filed in any such arbitration proceeding pursuant to the terms of this Agreement.

**29. Entire Agreement.**

This Agreement contains the entire agreement of the parties, and supersedes, cancels, and revokes any and all other agreements between the parties relating to the subject matter of this Agreement. There are no representations, warranties, promises or inducements, either oral or written, except those contained in this Agreement. However, nothing in this Agreement, the exhibits or any related agreement or document is intended to disclaim representations which AAMCO has made in AAMCO's Franchise Disclosure Document which Franchisee acknowledges has been furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its independent investigation of the franchise opportunity and not as a result of any representations about AAMCO made by any of AAMCO's officers, directors, shareholders, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement or in any disclosure document, prospectus, or other similar document required or permitted to be given to





# APPENDIX A

## INITIAL PACKAGE

### SHOP EQUIPMENT, TOOLS, SUPPLIES, AND INSTALLATION

QUANTITY	DESCRIPTION
5	Twin Post Lift 10000 lb
3	Air Stations
1	Four Post Lift 12,000 lb
2	Gray Trans. Jack HTJ1000
1	Gray Jack Adapter
2	Joggle Jack
2	High Stands
2	Storage System
1	Trans Holding Fixtures
1	Trans Holding Fixtures
1	Spring Compressor Set / APT
5	Work Benches
1	Cleaning Machine / Casters
1	Soap for Cleaning Machine
1	Bushing Driver Set
1	System one
1	Turbo Cooling Line Flusher DLX
1	5 HP Compressor
1	Small Parts Cleaner
1	16 GL DRUM
1	Snap-on scanner/ Import Kit /MODIS
1	Kwiktest - plus
1	Kwiktest - 39 kits
1	Press w/ Separator
4	Parts Shelves
2	Parts Shelves
1	Extra shelves
1	Extra shelves
25	2" Parts Boxes
25	4" Parts Boxes
25	6" Parts Boxes
25	8" Parts Boxes
1	High Rise Drain DOW /TOP
1	Phone System
1	Cordless Phone
1	Digital On Hold System
1	High Rise Drain Can
1	High Rise Drain Can Funnel
6	Air Hoses
1	Air Coupler Package
2	5 QT OIL DISP
2	2 PC FUNNAL
1	TANK FUNNAL
2	DRAIN PAN
1	Battery Charger
1	Battery Charging System Tester
1	Floor Jack
5	Drop Lights
1	Rag Receptacle
1	Barrel Pump

## APPENDIX A

1	Drum Dolly
1	Engine Hanger
1	Van Engine Hanger

### SHOP EQUIPMENT, TOOLS, SUPPLIES, AND INSTALLATION -- Cont'd

1	Bench Grinder
1	GRINDER STAND
2	Safety Goggles
1	Steel Bench Vice
1	Jack Stands
1	First Aid Safety Kit
1	Eye Wash Station
1	Hand Cleaner
1	Spill Response Kit
1	Spill Response Pads 200
2	Trans Cart / w parts basket
1	Torch Set
1	UNI-Dolly
1	Front Axle Tool
1	Trans Flush Exchanger
1	Radiator Flush Unit
1	Arbor Press
1	Arbor Press Stand
1	Oil System
1	In line Filter Kit
1	Cooler Kit
5	<b>Install For lifts twin post</b>
1	<b>Install For lifts four post</b>

### TECHNICAL REFERENCE MATERIAL

QUANTITY	DESCRIPTION
1	ALLDATA / Information system
1	Direct Tech
1	Technical Video Training
1	Technical Reference Manuals

### OFFICE/ INTERIOR PACKAGE

QUANTITY	DESCRIPTION
4	CHAIR BLUE
1	CLOSING TABLE 32IN
1	WAITING ROOM CUBE
1	SERVICE DESK
1	SERVICE COUNTER 84IN
	OR
1	SERVICE COUNTER 60IN

### REQUIRED OFFICE & SHOP MATERIAL, POSTERS, COMPUTER SYSTEM & SOFTWARE

QUANTITY	DESCRIPTION
1	FOCUS GOLD
1	FOCUS SUPPORT
1	Unifed Repair Orders qty 1000

## APPENDIX A

1	Letterhead QTY 1000
1	Envelopes QTY 1000
1	Business cards QTY 1000
1	Complete Car Care start up kit
3	Ro Racks
1	Business report Envelopes US.
1	Warranty envelopes qty 50
1	Floormats qty 250

### REQUIRED OFFICE & SHOP MATERIAL, POSTERS, COMPUTER SYSTEM & SOFTWARE - Cont'd

1	12 month/12k mile clutch war cards
1	minor service warranty cards
1	Warranty books qty 50
1	Hang tags qty 1000
1	Electronic Component wrty cards
1	Automatic Trans Policy Poster
1	Manual Trans Policy Poster
1	Workflow Dry Erase Board
1	Priority Partner Manual
1	Telephone Procedure Pad
1	12 warranty card
	Poster, CCC "While you were out"
	Poster, CCC Free Transcan
	Poster, Trans Services...other main...
	Poster, Fleet Service
	Poster, Nationwide Warranty
5	Frame per poster
	AAMCO clock

### INITIAL PARTS AND INVENTORY

\*The inventory contained in this package represents a start-up inventory for your AAMCO Center.

### SIGNS/EXTERIOR DESIGN PACKAGE

### ADVERTISING FOR OPENING

### OTHER EQUIPMENT OFFERED/SUGGESTED

QUANTITY	DESCRIPTION
1	AC Recovery unit system
1	Refrigerant Identifier System
1	Heater MX250
1	Tank Stand For Heater/ CHIMNEY
1	Power Pusher HD
1	SOLX 2000
1	Special Tool Package for Builder
3	SAM Guard units
3	On Time units

## APPENDIX A

**NOTE:**

Certain additional tools and equipment may be necessary. These additional items for the most part fall into the category of specialized small hand tools and as such may be part of your technician's tool supply. Accordingly, you may not have to acquire them as shop supplies. Upon request, your AAMCO Parts Department will help identify and source these items as needed.

Applicable state, local taxes and duty incidental to the sale of the above listed items will be paid by the franchise and should be added to the above list.

Prices quoted are subject to change. Prices in effect at the time the order is placed will be charged at the time the order is delivered and any freight charges.

**SEE ITEM 7 OF OUR FRANCHISE DISCLOSURE DOCUMENT FOR YOUR ESTIMATED INITIAL INVESTMENT COSTS**



**AAMCO Transmissions, Inc.**

**Franchise Agreement**

**EXHIBIT A-2**

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## AAMCO Transmissions, Inc.

### Franchise Agreement

This Agreement is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between AAMCO Transmissions, Inc., 201 Gibraltar Road, Horsham, Pennsylvania 19044 ("AAMCO"), and \_\_\_\_\_ ("Franchisee").

As a result of extensive experience in the transmission and general automotive repair business, AAMCO has developed methods, procedures and techniques for the operation of AAMCO centers devoted to such repair business and AAMCO has built up substantial business and valuable good will by the establishment of such centers throughout the United States and Canada and

AAMCO has developed a system (the "System") for conducting operations in the transmission and general automotive repair business which consists, in part, of the use of the "AAMCO" trade name and trademarks, AAMCO's methods, procedures and techniques, and a network of Centers devoted exclusively to the transmission and general automotive repair business ("Centers") which use the "AAMCO" name and the methods, procedures and techniques; and

AAMCO has created a substantial demand for its products and services by maintaining high standards of quality in its operation and in the operation of its franchised Centers and by extensive advertising; and

AAMCO makes its experience and know-how available to all its franchisees in order to assist them in opening and operating a successful AAMCO center. AAMCO makes this and other means at its disposal available to aid in the management and merchandizing of Franchisee's center.

In recognition of the value of participating in the System, Franchisee desires to acquire a franchise to operate a Center;

The parties, intending to be legally bound, enter into this Agreement in recognition of these considerations and of the mutual promises and agreements contained herein.

#### I. GRANT OF FRANCHISE

A. In consideration of the payment of the initial license fee identified in this Agreement, Franchisee shall have the right, subject to compliance with the terms and conditions of this Agreement, to operate a Center ("the Center"), under the "AAMCO" name and under any other trade names, trademarks, service marks and logos ("AAMCO names and marks") presently used, or which may hereafter be used in the System.

B. Franchisee's Center shall be located as follows:  
\_\_\_\_\_  
Statistical Area/Micropolitan Statistical Area (collectively "Statistical Area")

Address:



Franchisee agrees to operate his Center at no other address. Franchisee agrees not to move or relocate his Center without the express prior written approval of AAMCO, which approval shall not be unreasonably withheld.

1. AAMCO expressly reserves the right to grant additional franchises or establish other Centers in the same Statistical Area. The number of Centers will be based upon then current motor vehicle registrations and the marketing program of AAMCO, and shall be limited to a maximum of one Center for each 100,000 motor vehicle registrations. Franchisee agrees that he does not have and is not being granted a protected trading area, specifically without limitation, in regard to the placement of other AAMCO Centers.

II. LICENSE FEE Franchisee agrees to pay the sum of \$15,000 as a license fee. This license fee does not permit Franchisee to use the AAMCO names and marks or to operate the Center without compliance with other provisions of this Agreement.

2. Franchisee acknowledges that AAMCO shall incur expenses upon execution of this Agreement. In the event of any termination, cancellation or rescission of this Agreement for any reason whatsoever, AAMCO will suffer damages not able to be determined; therefore, AAMCO, in addition to any other rights or remedies it may have, shall be entitled to retain the license fee as liquidated damages.

III. TERM This Agreement shall begin as of the date set forth above and shall continue for a term of fifteen (15) years. Unless either party gives written notice of its intention not to renew at least 180 days prior to the expiration of the fifteen-year term, Franchisee shall have the right to renew this franchise at the end of the term provided he is not then in default under the Agreement. In connection with any renewal, Franchisee agrees to execute a franchise agreement of the type then currently being used by AAMCO, at least ninety (90) days, but not more than one (1) year, prior to the expiration of the term. If, at least ninety (90) days prior to the expiration of the term of this franchise, Franchisee has not executed AAMCO's then current franchise agreement, this Agreement shall automatically terminate at the end of the term without further action by any party and Franchisee shall comply in full with section 19.2, Procedures after Termination. AAMCO expressly reserves the right to increase the franchise fee upon renewal in accordance with its then current policy. Notwithstanding anything in this section 3 to the contrary, any renewal of the franchise shall be subject to the other provisions of this Agreement regarding termination.

IV. LOCATION AND LEASE Upon the execution of this Agreement, Franchisee agrees to proceed with due diligence to secure a location for the Center within the Statistical Area stated in section 1.2 of this Agreement, in accordance with the guidelines set forth in AAMCO's Center Opening Procedures Manual. In the event Franchisee fails to open his Center for business within one year from the date of execution of this Agreement, AAMCO may, absent any extension of time agreed to in writing by AAMCO, immediately and without prior notice, cancel and terminate this Agreement.

2. Franchisee agrees not to execute any documents of purchase or lease for any such location without the prior written approval of AAMCO as to location, and terms of sale or lease, whichever is applicable.

3. If Franchisee purchases the Center location at any time during the term of this Agreement, or is the owner of the Center location prior to the execution of this Agreement, Franchisee hereby grants to AAMCO the option to lease the location on substantially the same

terms and conditions contained in any lease under which Franchisee occupied the location as lessee, or if no such lease existed, then on terms and conditions that are commercially reasonable. This option granted may be exercised by AAMCO for a period of thirty (30) days following the termination, rejection or rescission of this Agreement for any reason whatsoever.

4. If Franchisee purchases the Center location at any time during the term of this Agreement, or is the owner of the Center location prior to the execution of this Agreement, Franchisee hereby grants to AAMCO, upon expiration or non-renewal, a right of first refusal to purchase or lease the Center location on terms and conditions that are commercially reasonable or on substantially the same financial terms and conditions of any binding third-party offer. This right of first refusal may be exercised by AAMCO for a period of thirty (30) days following such expiration or non-renewal; provided, however, this right of first refusal shall not apply if Franchisee himself is using the location so long as such use is in compliance with section 20(b) of this Agreement.

5. If Franchisee is leasing the location, then, after AAMCO's written approval of the proposed location and lease, Franchisee shall execute the lease and agrees to deliver a copy of the fully executed lease to AAMCO. Franchisee agrees that the lease shall contain a conditional assignment clause which shall provide that, upon the termination or expiration of this Agreement for any reason whatsoever, AAMCO or its designee shall have the option for thirty (30) days to assume the obligations of and to replace Franchisee as the lessee under the lease and at any time thereafter reassign the lease to a new franchisee. Franchisee agrees not to terminate, renew or in any way alter or amend the lease during the Term or any renewal term of this franchise without AAMCO's prior written consent, and any attempted termination, renewal, alteration or amendment shall be null and void and have no effect as to AAMCO or AAMCO's interests.

6. Except as otherwise provided in this Agreement, Franchisee agrees not to assign its lease or sublet the Center, or any portion of the premises containing the Center.

7. If Franchisee chooses to design and construct his Center, Franchisee agrees to engage AAMCO's designated design and construction professional or, alternatively, to procure design and construction services from another source approved by AAMCO in writing.

8. Franchisee agrees not to make any material change to the Center premises or adjacent areas without the prior written consent of AAMCO.

V. TRAINING, SECURITY DEPOSIT AND COMMENCEMENT OF BUSINESS1. Prior to opening the Center for business, Franchisee must have attended and successfully completed to AAMCO's satisfaction, AAMCO's operator's training school, which includes instruction, training and education in the operation of the Center. If Franchisee failed to complete training to AAMCO's satisfaction, AAMCO, in its sole discretion, may terminate this Agreement immediately, and this Agreement shall be of no further force and effect, and neither AAMCO nor Franchisee shall have any further liability or obligation to the other; provided, however, that the provisions of section 19 shall not be affected by any such termination.

2. Franchisee agrees to attend such additional training or meetings at such locations as AAMCO may, from time to time, direct. All expenses incurred in connection with such attendance at training sessions or meetings shall be borne solely by Franchisee.

B. 1. Franchisee agrees to maintain at all times during the term of this Agreement a staff of trained employees sufficient to operate the Center in accordance with this Agreement. Franchisee agrees that all personnel whom Franchisee employs shall conform to the experience or skill standards which AAMCO may prescribe. Franchisee agrees to direct any of his employees to attend such meetings and training sessions as AAMCO may require, including directing the Center's technicians to obtain technical certification, as AAMCO may require, pursuant to AAMCO's technical certification program or a comparable technical certification program which complies with AAMCO's specifications. All expenses of travel, lodging, meals and any other expenses shall be borne and paid by Franchisee or the Center's employees. Franchisee agrees not to employ any person who may be required by AAMCO to complete a training program or otherwise meet training requirements, but who fails to do so for any reason whatsoever.

2. Franchisee acknowledges and agrees that the training of the Center's technical employees is essential to the successful operation of his Center. Franchisee, therefore, agrees to participate in, pay for and buy all materials for the AAMCO Tech Video/DVD Library Program, DirecTech® and any other technical training programs as and when directed by AAMCO according to the terms and conditions as determined by AAMCO, or to participate in a comparable technical training program which complies with AAMCO's specifications. Franchisee further agrees that, at the request of AAMCO, he will submit information about his participation in a comparable technical training program, including without limitation, invoices, lists of vendors from which Franchisee purchases such technical training programs and actual copies of such training. AAMCO's Technical Services Department shall determine if any such technical training program is comparable.

3. Franchisee agrees that, regarding the hiring of employees for the Center, he will not initiate directly or indirectly any contact with any other person known to him to be employed by another AAMCO franchisee for the purpose of inducing such employee to work in Franchisee's Center; provided, however, nothing shall prevent Franchisee from advertising generally for employees to fill vacant positions. Franchisee agrees to hire only those employees who, upon appropriate screening, demonstrate themselves to be honest and dependable.

C. 1. Franchisee acknowledges that he has deposited with AAMCO the sum of \$5,000 as security for compliance with all the provisions of this Agreement. This deposit shall be retained by AAMCO and AAMCO shall have the right to reimburse itself or others, including customers of Franchisee's Center, from this account for any costs or expenses that may be sustained by AAMCO or others, as a result of failure by Franchisee to comply with any provision of this Agreement. AAMCO has sole and absolute discretion in determining the amount of reimbursement from this account, and agrees to act reasonably in making such determinations.

2. Franchisee acknowledges that the creation and use of this account is a condition of the franchise, is intended to maintain a high level of customer satisfaction, and to minimize or resolve customer complaints. It is agreed that AAMCO may use the funds to cure any default by Franchisee under this Agreement and to defray expenses, damages or attorneys' fees of AAMCO or others, reasonably necessary to cure any such default, including refunds to customers of Franchisee as AAMCO may determine. AAMCO may send written notice to Franchisee of defaults calling for action under these provisions; however, Franchisee hereby authorizes AAMCO to apply the money in this account for the purposes specified in this provision without prior, actual notice to Franchisee that the money has been applied.

3. Franchisee agrees that should the amount on deposit with AAMCO become less than \$5,000 because of any reason whatsoever, then Franchisee, upon notice from AAMCO, shall pay whatever amount is needed so that the amount on deposit equals \$5,000.

4. AAMCO agrees to pay interest on this deposit at the rate of 3% less than prime rate as established by a leading bank as determined by AAMCO averaged over the preceding twelve months to a maximum of six percent (6%) per year, provided that Franchisee is, at all times, in full compliance with the provisions of this section. AAMCO shall have no obligation to establish a separate bank account for such funds.

5. The deposit shall be reimbursed to Franchisee upon termination of this Agreement if the Center is sold by Franchisee in accordance with section 18.2 of this Agreement and the new franchisee assumes Franchisee's warranty obligations and pays a new security deposit with AAMCO. In all other situations when this Agreement terminates, expires or is rescinded, AAMCO may use the deposit to cover the costs of warranty work arising from warranties issued by the Center prior to the termination, expiration or rescission of this Agreement; and AAMCO may retain the deposit for a period of three (3) years from the date of termination, at which time any remaining balance will be returned to Franchisee provided Franchisee has complied in full with sections 19 and 20 of this Agreement. All warranty repairs charged under this subsection shall be performed at and in accordance with AAMCO's then current Intershop Warranty rate and policies and procedures.

VI. SERVICES RENDERED BY AAMCOAAMCO agrees to:

1. assist Franchisee in obtaining a location and negotiating a lease;
2. assist Franchisee with the layout of the Center and the installation of equipment;
3. assist Franchisee in finding and evaluating personnel;
4. furnish to Franchisee the Operator's Manual described in section 7, parts catalogues, and instructional and training materials for the purpose of providing guidance in the methods, procedures and techniques of operating a Center;
5. furnish, from time to time, such business information, literature and materials as AAMCO determines may be helpful in improving the operations of the Center;
6. advise and consult with Franchisee during usual business hours on matters relating to the operation of the Center;
7. advise Franchisee of any new developments or improvements in the System;
8. assist Franchisee by providing Technical Consulting services for use by all franchisees. These services will include Technical Hot Line Department, Publication of Technical Advisory bulletins, Publication of Technical Bench tips, Publication of Technical Bench notes, Publication of Technical columns in the Twin Post, Production of video training films, the availability of the Rebuilders Academy and additional in-house only training seminars. AAMCO further agrees that the ratio of the Technical Department's expenditures to franchise

fee revenue for the provision of these services will be the minimum ratio maintained for the provision of these services.

9. provide initial training and other additional training programs, sessions and meetings as AAMCO may determine;

10. assist in the design of advertising promoting the business of AAMCO franchisees and the services they sell; and make available to Franchisee its experience, know-how, guidance, and counseling with respect to national, regional, and/or local advertising, and combinations thereof, including the selection of particular media and advertising content, as well as the choice of agencies for the purchase and use of these advertising techniques; and

11. continue to protect the good will and reputation associated with the AAMCO name and marks and other distinguishing aspects of the System.

B. AAMCO agrees that, before AAMCO grants any additional franchise in the Statistical Area in which Franchisee's Center is located, it will conduct a marketing study and will receive and consider input and comments from Franchisee.

VII. OPERATOR'S MANUAL 1. AAMCO shall lend to Franchisee a manual produced and published by AAMCO (the "Operator's Manual") which includes, in part, the business procedures, technical advice, policies and procedures, and rules and regulations for the operation of the Center.

2. Franchisee agrees that he will comply with all of the policies and procedures which AAMCO establishes from time to time including those set forth in AAMCO's training manuals as modified and/or updated from time-to-time as determined by AAMCO in its sole discretion.

B. Franchisee acknowledges and agrees that:

1. the Operator's Manual is the property of AAMCO and shall remain its property during the term of this Agreement and any renewals;

2. the Operator's Manual contains confidential information which Franchisee will protect as a trade secret, and that its loss will cause substantial damage to AAMCO and the System although the amount of such loss would be incalculable with any degree of accuracy. Consequently, in the event of loss of this Operator's Manual, Franchisee agrees to pay to AAMCO such sum as may be agreed upon for its replacement, as liquidated damages and not as a penalty;

3. Franchisee will not reprint or reproduce any portion of the Operator's Manual for any reason whatsoever;

4. upon termination of this Agreement for any reason, the Operator's Manual will be immediately returned to AAMCO.

VIII. CERTAIN OBLIGATIONS OF FRANCHISEE In order to maintain the high quality and uniform standards associated with the System and to protect its good will and reputation, Franchisee agrees to:

1. deal fairly and honestly with AAMCO and with each customer, and that he will render prompt, workmanlike, courteous and willing service in his Center
2. operate his Center in such a manner so as to avoid customer complaints, since any customer complaint cause harm to the growth of AAMCO's national identity, reputation in the marketplace and association of its name with quality repairs. Franchisee agrees that any customer complaints generated by his Center, including but not limited to those in which customers allege abuse, fraud, deceptive or unfair trade practices, cause such harm individually and in the aggregate. Franchisee agrees to handle all customer complaints and adjustments in the same fashion whether they arise from his Center or from any other AAMCO center.
3. honor and comply with the terms of all advertising placed by or at the direction of AAMCO or Franchisee;
4. devote his/her best efforts to the day to day operations and development of the business of the Center;
5. operate the Center exclusively as an automotive repair and servicing business and not engage in any other business at the Center, except as otherwise approved in writing by AAMCO;
6. design, keep and maintain the Center and its appearance in an attractive, clean, safe and orderly manner consistent with the operation of a first class automotive business and any directives of AAMCO deemed by it to be necessary to protect the standards of quality and uniformity of the Centers and the System, including (1) interior and exterior painting and décor, (2) shop and sales office layout and character of interior furnishings, and (3) use and display of such signs, emblems, logos, lettering and pictorial materials as required or approved by AAMCO;
7. operate the Center in accordance with the methods, policies and procedures, and techniques included in the Operator's Manual and other training manuals and materials, as modified and/or updated from time to time as determined by AAMCO in its sole discretion, or otherwise approved by AAMCO;
8. conduct his Center in a manner so that it will not detract from nor bring into disrepute the AAMCO name and marks;
9. comply at all times with all federal, state, provincial, county, city, municipal and other local laws, regulations and ordinances applicable to Franchisee's business;
10. employ center personnel who conform to the experience or skill standards that AAMCO may prescribe;
11. operate the Center under the name AAMCO and under no other name unless directed in writing by AAMCO, and use and display the AAMCO name and marks prominently in such manner as may from time to time be directed in writing by AAMCO and not

use or prominently display any other trade name, trademark, service mark or other designation during the term of this Agreement;

12. permit AAMCO during business hours to inspect the premises of the Center, confer with Franchisee and Franchisee's employees and customers, check equipment and inventories, methods, books and records, and perform any other inspection deemed by AAMCO to be necessary to determine the nature, quality and uniformity of service rendered at the Center in order to protect the System and to determine Franchisee's performance under this Agreement. Franchisee specifically agrees that neither his physical presence in the Center nor his specific consent to any such inspection shall be necessary;

13. submit to AAMCO uniform business and financial reports and financial statements in accordance with the procedure set forth in the Operator's Manual, and deliver a copy of Franchisee's federal income tax return relating to the operations of the Center within thirty (30) days after such return is filed. If AAMCO adopts as part of the System a format of reporting via electronic polling, Franchisee agrees to submit his uniform financial reports through the internet or other electronic means which is compatible with software used by AAMCO for such purpose;

14. maintain a system of bookkeeping and recordkeeping as requested by AAMCO, keep his books and records at the Center at all times and make them available during business hours to authorized representatives of AAMCO for the purpose of verifying the accuracy of Franchisee's business and financial reports. If such verification reveals that the gross receipts reported by Franchisee to AAMCO are more than two percent (2%) less than Franchisee's actual gross receipts, Franchisee agrees to reimburse AAMCO for all expenses connected with such verification, including, but not limited to, reasonable administrative, accounting and legal fees, and without limitation to any other rights and remedies AAMCO in its sole discretion, may elect to pursue. Franchisee shall pay to AAMCO immediately any deficient and delinquent franchise fees, together with interest at the rate of eighteen percent (18%) per annum calculated from the date when franchise fees should have been paid to the date of actual payment. Franchisee further acknowledges and agrees that the actual damages sustained by AAMCO in the event of underreporting of gross receipts are difficult to ascertain and that in addition to the fees, interest and expenses stated above, Franchisee shall also pay AAMCO liquidated damages in an amount equal to the franchise fees due plus interest as calculated above. These liquidated damages shall be in addition to any other remedies AAMCO may have.

15. use only such forms as AAMCO specifically prescribes or authorizes including, without limitation, AAMCO diagnostic forms, AAMCO warranty cards, AAMCO reporting forms and consecutively numbered AAMCO repair orders for which AAMCO may make a reasonable charge.

16. offer to customers of his Center all services, products and/or warranties which AAMCO may prescribe. Franchisee acknowledges that AAMCO retains the exclusive right to make modifications from time-to-time to such services, products and/or warranties.

IX. EQUIPMENT, INVENTORY, SUPPLIES AND SIGNS Standards and Specifications. AAMCO shall fix and determine all standards, specifications and requirements for the equipment, including diagnostic and technical equipment, supplies, parts, and assembly sets used by Franchisee in his AAMCO Center. Franchisee may purchase these items from any source, so long as they conform to these standards and specifications. AAMCO agrees to

furnish these standards and specifications to Franchisee, or to a vendor or manufacturer, without charge. Franchisee acknowledges that AAMCO may change such standards, specifications and requirements from time-to-time, and agrees to make any additional purchases of equipment and/or supplies needed to comply with such updated requirements.

B. Original Equipment, Supplies and Inventory. Franchisee agrees that, prior to the opening of his Center, he will purchase the equipment, supplies and inventory listed at Appendix A of this Agreement. Franchisee agrees to submit to AAMCO receipted invoices from the suppliers for any of these items which AAMCO may request and shall certify to AAMCO, if requested, that the items comply with the standards and specifications of AAMCO. If Franchisee requests to purchase equipment and supplies from or through AAMCO, AAMCO agrees to supply them at the price then in effect; provided, that if prior to delivery the price to AAMCO shall increase, then AAMCO may proportionately increase the price to Franchisee. If any item is not available at the time of request, then AAMCO may substitute merchandise of a similar quality, and adjust the price, after notice to Franchisee.

C. Operating Inventory. Franchisee acknowledges that the consumer acceptance, quality, and standardization of parts and assembly sets used by AAMCO Centers, and agrees that the use exclusively of parts and assembly sets which comply with AAMCO's specifications is an essential condition of the performance of this Agreement. Franchisee agrees to purchase and use parts and assembly sets which comply with AAMCO's specifications. At the request of AAMCO, Franchisee will submit a certification that he uses parts and assembly sets which comply with AAMCO's specifications.

D. Product Warranties. There are no warranties, express or implied, made by AAMCO under this Agreement for the products purchased by Franchisee, including the implied warranty of MERCHANTABILITY.

E. Signs. Franchisee agrees to erect outside and inside his Center signs of such size and construction as approved by AAMCO. No other signs may be erected or used. Franchisee acknowledges and agrees that AAMCO shall have exclusive control of the use and display of all sign faces bearing the AAMCO name or marks.

X. FRANCHISE FEES AND BUSINESS REPORTS During the term of this Agreement, Franchisee agrees to pay to AAMCO a franchise fee (the "franchise fee") equal to seven percent (7%) of the gross receipts of all business transacted by Franchisee. "Gross receipts" shall mean all forms of consideration received by the Center for all work, sale of parts, supplies or accessories or services, sold, completed and delivered to customers of the Center, exclusive of sales tax. Franchisee agrees that the franchise fee shall be paid weekly on each Tuesday based upon gross receipts during the preceding calendar week. The franchise fee shall be remitted simultaneously with a report showing its computation upon the forms or reports or in a format provided, required or approved by AAMCO. Franchisee agrees that AAMCO may, require Franchisee to submit the reports via electronic polling from Franchisee to AAMCO through the internet or other electronic means which is compatible with software used by AAMCO for such purpose.

2. Franchisee acknowledges and agrees that failure to furnish complete and accurate reports of business on a timely basis deprives AAMCO of the means to control and supervise the use of its marks or to communicate with members of the motoring public who are customers of AAMCO Centers. In addition to an accurate report of gross receipts in the manner



or on the forms prescribed by AAMCO, Franchisee agrees to submit such copies of customer repair orders as directed by AAMCO.

3. Franchisee agrees that the franchise fee and all other fees, charges and/or amounts owed by Franchisee under this Agreement, specifically including, but not limited to, any sums due for any advertising, whether national, regional, local and/or national creative, pursuant to section 11 below, shall be remitted to AAMCO via electronic funds transfer ("EFT") from the designated account(s) of Franchisee's financial institution. Prior to opening his/her Center, and from time to time thereafter as events may require, Franchisee agrees to provide AAMCO written authorization, and such other information as AAMCO may require, in such form as shall be approved by AAMCO, which shall authorize and/or enable Franchisee's financial institution to accept debit originations, electronic debit entries, or other EFT, and electronically deposit franchise fees and other sums owed under this Agreement directly to AAMCO's bank account(s).

4. Franchisee agrees to authorize AAMCO to withdraw funds by EFT upon or after the funds become due to AAMCO under this Agreement, at such days and times as AAMCO shall determine. Franchisee agrees that it shall be an event of default under section 19.1 of this Agreement if Franchisee closes or otherwise makes Franchisee's designated account(s) inaccessible by AAMCO without completing the following before or promptly after the account is made inaccessible:

- a. notifying AAMCO in writing of such event;
  - b. establishing another designated account(s) for EFT withdrawals;
- and
- c. providing the written authorization and information required in subsection (c) above.

5. Franchisee agrees that if AAMCO has not received from Franchisee, by 12 noon Eastern time on each Tuesday, a report of gross receipts from the Center's sales for the preceding week by written statements or business reports in the form prescribed by AAMCO under section 10 of this Agreement or by electronic polling, then AAMCO shall be entitled to withdraw by EFT from Franchisee's designated account(s) the appropriate franchise fee based on an arithmetic average of Franchisee's weekly gross sales reported to AAMCO over a number of previous weeks as determined by AAMCO or based on some other means of estimating Franchisee's gross sales as determined by AAMCO. If a business report in the form of a statement required under this section 10 is subsequently received and reflects (1) that the actual amount of the franchise fee due was more than the amount of the EFT by AAMCO, then AAMCO shall be entitled to additional funds by EFT from Franchisee's designated account(s) for the difference or (2) that the actual amount of the franchise fee due was less than the amount of the EFT by AAMCO, then AAMCO shall credit the excess amount to the payment of Franchisee's future franchise fee.

6. Franchisee agrees that, upon written notice from AAMCO, he may be required to pay any amount(s) due under this Agreement directly to AAMCO by check or other non-electronic means, instead of by EFT, solely at AAMCO's discretion.

XI. ADVERTISING National Creative Advertising. Franchisee agrees to pay his proportionate share of "National Creative Advertising" in accordance with the formulas which will

be provided by the National Creative Committee and administered by AAMCO. Payment for National Creative Advertising shall be made to AAMCO in accordance with its instructions, including compliance with section 10(c) providing for payment by EFT.

B. Local Advertising.

1. Franchisee acknowledges and agrees that all advertising must be approved by AAMCO in advance of its use and Franchisee agrees not to use any advertising unless and until such has been approved in writing by AAMCO. Franchisee specifically agrees to participate in and pay for the national Yellow Pages program of AAMCO and agrees not to place Yellow Pages advertising in any other manner. Franchisee further agrees to use, display or distribute in or about the Center any advertising, promotional or informational materials that AAMCO may provide from time to time and to follow AAMCO's instructions regarding such materials.

2. Franchisee acknowledges that, in addition to Yellow Pages advertising, it is mandatory to employ advertising at the local level and to participate in and pay for advertising programs and promotional activities at the local level. Franchisee agrees to share local advertising expenses with other franchisees in the Designated Market Area (DMA) as defined by A.C. Nielsen Company which may change from time-to-time and to execute all local ad pool documents as may be required and approved by AAMCO.

3. Franchisee acknowledges that AAMCO has the right to approve an advertising agency, which approval shall not be unreasonably withheld, and Franchisee agrees to place advertising only with an agency approved by AAMCO; Franchisee agrees to pay promptly fees which become due to any such agency.

4. Franchisee agrees that if Franchisee fails to pay promptly an amount due his advertising agency or his local advertising group or pool, then either AAMCO, or other AAMCO franchisees in the local advertising group or pool of which Franchisee is a member, or the local advertising group or pool itself shall be entitled to recover the amount due from Franchisee. Franchisee acknowledges that all local advertising benefits him and the other franchisees in the local advertising group or pool. Franchisee acknowledges that despite failure to contribute to his local AAMCO advertising group or pool, local advertising expenditures by such group or pool confer substantial benefits on him, and further acknowledges his responsibility for payment therefor. AAMCO specifically reserves the right to have or allow the local AAMCO advertising group or pool to seek enforcement of this obligation.

5. Franchisee may engage in any advertising or promotion of his Center or business, in addition to the advertising or promotion set forth in this section 11, provided that such advertising or promotion shall be at the sole cost of Franchisee.

6. Franchisee agrees not to create, maintain or use a web site or other form of electronic media not paid for or approved in writing by AAMCO for the purpose of advertising or promoting his Center or business; not to create or adopt, use or register any domain name that uses in any manner, the AAMCO names and marks; and, not to establish any HTML or other link between any web site created, maintained or used by Franchisee and AAMCO's home page(s) or other part of its web site(s) without AAMCO's prior written approval.

C. National or Regional Advertising.

1. Franchisee agrees to participate in advertising programs at the national and/or regional levels if and when established or directed by AAMCO. Franchisee agrees to pay his proportionate share of National or Regional Advertising and publicity in accordance with reasonable formulas provided by AAMCO. Payment for such National or Regional Advertising billings and costs shall be made in accordance with AAMCO's instructions.

2. Franchisee agrees that AAMCO may, from time to time, designate an AAMCO web site for the purpose of advertising the AAMCO names and marks and services associated with the System as well as individual Centers. Franchisee acknowledges and agrees that all parts of the designated web site, including any web page(s) dedicated to his Center, are the property of AAMCO and that AAMCO has sole and exclusive right and authority to change or terminate the web site in total or in part, as AAMCO deems appropriate.

XII. INSURANCE, INDEMNITY AGREEMENT AND INDEPENDENT CONTRACTOR Insurance.

1. Franchisee agrees to purchase and, at all times during the term of this Agreement, maintain in full force and effect policies of insurance as follows: (i) Worker's Compensation insurance, in amounts prescribed by law; (ii) insurance against all types of public liability including employer's liability insurance, liability insurance under a comprehensive general liability policy, with bodily injury and property damage liability insurance, garage liability, garage keeper's legal liability and direct primary coverage, products liability or completed operations liability insurance, automobile liability insurance, including owned and non owned hired motor vehicles, and customer automobile liability insurance; and (iii) such additional insurance as may be required by the terms of any lease for the premises of the Center.

2. Franchisee agrees that all policies of insurance required under this section shall be in form with companies reasonably satisfactory to AAMCO and in such amounts as AAMCO shall reasonably determine, which amounts, in no event, shall be less than \$1,000,000 per occurrence, bodily injury and property damage combined. Franchisee acknowledges and agrees that AAMCO reserves the right to increase the amounts of insurance required by this section and further agrees to comply with such increased amounts after notice from AAMCO. AAMCO agrees to act reasonably in determining such increased amounts. Franchisee agrees that such policies shall protect, as named insureds, Franchisee, AAMCO and any other party designated by AAMCO and that such policies shall contain an endorsement which provides that only actual notice to insured, if an individual, or to any executive officer of insured, if a corporation, shall constitute knowledge of the insured. Franchisee agrees to furnish to AAMCO, any other named insured, and all other persons designated by AAMCO, certificates issued by each of Franchisee's insurers indicating that all required insurance is in full force and effect and will not be terminated or changed without at least thirty (30) days prior written notice from the insurer to each certificate holder. New certificates evidencing renewal of such insurance shall be furnished at least thirty (30) days prior to the date of expiration of each such policy. Within five (5) days of any request by AAMCO, Franchisee agrees to deliver the original of all such insurance policies to AAMCO for examination.

3. If Franchisee fails to obtain or maintain any insurance policy containing all the coverages, clauses and provisions required under this section, AAMCO may, at its election, obtain and maintain such insurance for and in the name of Franchisee. Within fifteen (15) days of any written request of AAMCO, Franchisee agrees to furnish all information necessary to obtain and maintain such insurance and to pay all costs thereof.

B. Indemnity Agreement. Franchisee agrees to protect, defend and to hold harmless and indemnify AAMCO from any and all claims, demands, losses, damages, costs, suits, judgments, penalties, expenses and liabilities of any kind or nature (collectively "Claims"), and to pay to AAMCO all costs, expenses and liabilities which may be associated with such Claims, which are based on or arise out of or relate in any way to the operation or the condition of Franchisee's Center or this Agreement. This agreement to indemnify AAMCO set forth in this section shall be given effect whether the Claim arises indirectly or directly out of the Center's operation, Franchisee's conduct of his business there, the ownership or possession of real or personal property there or from or by any act of negligence, omission or willful conduct by Franchisee or by any of his employees, servants or agents. The minimum amounts of insurance outlined in section 12.1 shall not be construed to limit liability under this section of the Agreement. Franchisee also agrees by this Agreement to pay on behalf of AAMCO any and all fees, costs, or other expenses which AAMCO reasonably incurs as a result of any investigation or defense of any such claim, including reasonable attorneys' fees.

C. Independent Contractor and Relationship of the Parties.

1. Franchisee acknowledges and agrees that the relationship between AAMCO and Franchisee is strictly that of a franchisor and a franchisee and Franchisee is an independent contractor and not an agent, employee, partner or joint venturer of AAMCO for any purpose whatsoever. This Agreement does not create a joint venture, partnership, or agency and any act or omission of either party shall not bind nor obligate the other, except as expressly set forth in this Agreement. Franchisee agrees that he is not authorized in any way to make a contract, agreement or promise, or to create any implied obligation on behalf of AAMCO and agrees not to do so.

2. Franchisee agrees that, in all public records and in his relationship and dealings with third parties, as well as on stationery, letterheads and business forms, to indicate his independent ownership of the Center and that he is a franchisee of AAMCO. Franchisee agrees to conspicuously display both inside and outside the Center a notification that the Center is independently owned and operated.

3. Franchisee recognizes that AAMCO has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee does and will have full responsibility and authority for the management and operation of the Center; and that his success, and that of all Centers, depends on adherence to the highest standards of business practice and on the maintenance of prompt, efficient, courteous, workmanlike and satisfactory service to the public.

XIII. AAMCO NAMES, MARKS AND TRADE SECRETS; PROTECTION OF THE SYSTEM1.

Franchisee hereby acknowledges the validity of the AAMCO names and marks and that AAMCO is the owner of all right, title and interest in such names and marks. Franchisee agrees that he will use the AAMCO names and marks only in full compliance with specifications prescribed from time to time by AAMCO and that all such usage and the goodwill established thereby shall inure to the exclusive benefit of AAMCO. Except as expressly granted in this Agreement, Franchisee acknowledges and agrees that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity, any right or interest in the AAMCO names and marks, trade secrets, methods, procedures or techniques developed by AAMCO and used in the System. Further, except as provided for herein, nothing contained herein shall be construed as limiting AAMCO's right, title or interest in the AAMCO names and marks, trade secrets, methods, procedures and techniques which are a part of the System or AAMCO's sole and exclusive right to register, to use and to license others to use

such names and marks, trade secrets, methods, procedures and techniques.

2. Franchisee represents, warrants and agrees that:

a. he will not contest, directly or indirectly, AAMCO's ownership, title, right or interest in the AAMCO names and marks, trade secrets, methods, procedures and techniques which are a part of the System or contest AAMCO's sole right to register, to use, and to license others to use such AAMCO names and marks, trade secrets, methods, procedures and techniques and any other mark or name which incorporates the word "AAMCO"; and

b. with the exception of the use of the names and marks in the manner expressly specified and authorized under this Agreement and the registration of a fictitious name solely in connection with the operation of the Center, he will not use or register or attempt to use or register in Franchisee's name or in the name of any other person or entity any name or mark, corporate name or any designation of any kind using the AAMCO names and marks, or any other materials or electronically transmitted information used in the System.

B. Non-Disclosure. Franchisee agrees that, except in the ordinary course of business of the operation of his Center, he will not disclose or furnish to any person or entity any information or data concerning AAMCO's service program, training, diagnostic and technical materials, operations techniques, advertising or promotion ideas, or concerning the financial status of AAMCO, and that he will keep and maintain such data, information and materials as trade secrets of AAMCO. Franchisee acknowledges and agrees that AAMCO is the sole owner of all rights to the AAMCO service program, and of all books, manuals or documents provided to Franchisee for the operation of his Center. Franchisee recognizes that AAMCO has expended substantial funds and effort in the development of its service program, training, diagnostic and technical materials, and operating techniques, and he specifically agrees not to engage in competition with AAMCO using any training or policy manuals, catalogues, lists, forms or aids provided by AAMCO.

C. Protection of System. If Franchisee learns of any actual or threatened infringement or piracy of the AAMCO names and marks, trade secrets, methods, procedures or techniques used in the System (the "Infringement") or of any infringement or piracy claim made against Franchisee by a party other than AAMCO ("Third Party Claim"), Franchisee agrees to immediately notify AAMCO in writing of the Infringement or Third Party Claim. AAMCO shall have the right to determine what action, if any, to take with respect to such Infringement or Third Party Claim and shall bear the expense of any such action. Franchisee agrees to give his full cooperation in such action if so requested by AAMCO. If Franchisee is named as a party in any legal proceeding brought by a party other than AAMCO for infringement of trade names, trademarks, service marks, copyrights or trade secrets based upon Franchisee's use of the AAMCO names and marks, any such proceeding shall be defended and held harmless in the name of Franchisee, by and at the expense and direction of AAMCO.

XIV. WARRANTY PROGRAM Franchisee agrees to honor each warranty presented by an AAMCO customer in accordance with its terms, regardless of whether the service was rendered at his Center or at some other authorized AAMCO Center. Franchisee agrees to comply at all times with AAMCO's policies concerning the AAMCO warranty program.

B. Warranty Payment Rates. Franchisee shall be entitled under this Agreement to receive from another AAMCO Center the costs of supplies, accessories and parts which Franchisee uses in honoring the warranty, plus a sum of money based on either an hourly rate

for labor or a flat fee, depending on the extent of repairs required. The payment rate used in making payments under this section will be determined by AAMCO and published to all franchisees. Franchisee agrees to immediately pay to any other AAMCO Center the amount due to such other Center for honoring of a warranty issued to a customer of Franchisee. If Franchisee fails to pay promptly any amount due under this section, AAMCO shall be entitled to recover such amount from Franchisee for the benefit of the other AAMCO Center, or to credit such other Center for money which may be due and owing to Franchisee for such payments.

C. Prohibition Against Other Warranties. Franchisee agrees to make no warranties or guarantees other than those contained in the printed forms of warranty issued or approved by AAMCO. Franchisee acknowledges and agrees such warranties and guarantees are made by Franchisee to the customer and that there are no warranties expressed or implied made by AAMCO to the customer or to Franchisee in connection with any product or service furnished under this Agreement.

XV. TELEPHONE SERVICE Franchisee acknowledges and agrees that all published telephone numbers and directory listings for the Center are the property of AAMCO. Franchisee may not make any changes to the local carrier, service or account name without the prior written authorization of AAMCO. If AAMCO takes any action pursuant to this section 15, the telephone company and all listing agencies, without liability to Franchisee, may accept this Agreement and the directions by or on behalf of AAMCO as conclusive of the exclusive rights of AAMCO in such telephone numbers and directory listings and its authority to direct their amendment, termination or transfer.

2. AAMCO may transfer, suspend or remove Franchisee's telephone service for any published telephone numbers appearing under the AAMCO trade name or trademarks in directory listings, advertising and yellow pages advertising in the event of termination, rejection, expiration or rescission of this Agreement.

XVI. NATIONAL FLEET ACCOUNTS PROGRAM AAMCO, as part of the System, maintains a national fleet accounts program by which transmissions and other automotive repairs are provided to national or regional fleet accounts at designated AAMCO Centers, at agreed prices and processed through a centralized billing system ("national fleet accounts program"). If Franchisee decides to participate in AAMCO's national fleet accounts program, then Franchisee specifically agrees to accept and perform any automotive repair work that the vehicle may require in accordance with AAMCO's service standards, offer and honor such warranties as are required under AAMCO's agreement with the fleet account, charge and accept payment for all repairs in accordance with the price agreed between AAMCO and the fleet account for the particular type of repair, complete and provide such data, reports and/or documentation as AAMCO may require in administering the national fleet accounts program, and purchase and/or subscribe to any necessary hardware or software to interface with AAMCO's centralized billing system. Franchisee agrees that AAMCO retains all rights to the software used in connection with the national fleet accounts program.

XVII. DEFAULTS IN PAYMENT AND EXPENSES Franchisee agrees to pay all third party costs (and in-house attorneys fees if a court proceeding is instituted) incurred by AAMCO in collecting franchise fees, advertising fees and all other payments due under this Agreement and in enforcing the provisions of this Agreement.

2. Franchisee agrees to pay AAMCO a late charge upon all amounts due and owing to AAMCO in an amount equal to one and one half percent (1 1/2%) of the average

unpaid balance per month. If a court of competent jurisdiction determines that the late charge violates any usury or similar law, then the late charge will, instead, be the maximum amount allowed under applicable law. In addition, for each gross weekly business report not received by AAMCO within two (2) weeks from the date on which it was due, Franchisee agrees to pay AAMCO a late charge of ten dollars (\$10.00) per report, per week. The payment of any such late charge will not be deemed to allow or excuse delay in payment of sums due.

3. Franchisee agrees that he is responsible for paying all service charges and other fees resulting from Franchisee's financial institution in connection with EFT including, without limitation, any and all service charges and other fees arising in connection with any EFT by AAMCO that is not honored or processed by Franchisee's financial institution for any reason. Further, Franchisee shall pay AAMCO a fifty dollar (\$50.00) charge for reprocessing any EFT not originally honored or processed by Franchisee's financial institution.

4. If a local advertising group or pool becomes entitled to recover, by virtue of such an action pursuant to section 11 of this Agreement, then Franchisee acknowledges that such group or pool shall be entitled to recover, in addition to any judgment, an amount equal to the costs and reasonable attorneys' fees therefor. Franchisee specifically agrees that AAMCO may bring an action on behalf of National Creative Committee to collect amounts due pursuant to section 11.1.

5. If Franchisee fails to pay for National Creative Advertising and/or Yellow Pages advertising, then Franchisee acknowledges and agrees that AAMCO has the right (1) to direct any publisher of a Yellow Pages advertising directory to omit Franchisee's listing from such directory and (2) to withhold all television and radio tapes from Franchisee, until all sums owed plus interest and any costs of collection, including attorneys' fees, have been paid in full.

XVIII. RESTRICTIONS ON CHANGE OF OWNERSHIP 1. Franchisee agrees that all rights, interests and obligations of Franchisee arising from or under this Agreement are personal to Franchisee and, except as otherwise provided in this section 18, Franchisee shall not, without AAMCO's prior written consent, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer or encumber his interest in this Agreement, and/or in the franchise granted hereby, or in the lease for the premises at which the Center is located.

2. If Franchisee, as an individual, desires to form a corporation, partnership or a limited liability company ("entity") for the operation of the AAMCO Center and to have rights under this Agreement, he may do so only upon the following terms and conditions:

a. Franchisee's name remains on the Agreement and the entity is added as a co-franchisee on the Agreement.

b. The entity is newly organized and its activities are confined exclusively to acting as an AAMCO franchisee under this Agreement.

c. Franchisee continues to devote his best efforts to the day-to-day operation and development of the franchise and the business of the Center.

d. Franchisee is the owner of the majority of the stock, partnership interests or membership units of the entity, is the principal executive officer of the entity and has full and complete authority to act for the entity. In the event of the death of Franchisee who is the majority shareholder, partner or member of such entity, then the provisions of section 18.2

below will apply, except that such heir or next of kin must hold a majority interest in the entity, be a principal executive officer of the entity and must have full and complete authority to act for the entity.

e. All money obligations of Franchisee under this Agreement must be satisfied.

f. The entity executes a document with AAMCO in such form as shall be approved by AAMCO in which it agrees to be a party to, be bound by all the provisions of this Agreement.

g. Franchisee remains personally liable in all respects under this Agreement and Franchisee and all officers, directors, shareholders, partners, and/or members of the entity with at least a twenty-five percent (25%) interest execute in form approved by AAMCO a personal guaranty and agreement not to further transfer the stock, partnership interests or membership units, except as otherwise provided for herein.

h. The entity shall disclose in writing the names and addresses of all of its officers and directors, partners or members and, whenever there is a change in any such officer, director, partner or member, shall immediately notify AAMCO of such change. Franchisee acknowledges that AAMCO has the right to approve the officers, directors, partners and members, which approval shall not be unreasonably withheld, and agrees that any such individual not approved by AAMCO will be immediately removed from such position and shall not be permitted to have any involvement in the operation of the entity or the AAMCO Center.

3. If Franchisee organizes or has organized a corporation, partnership or limited liability company in connection with the operation of the Center, the shares of stock, partnership interests or membership units shall not be sold, assigned, pledged, mortgaged or transferred without the prior written consent of AAMCO. There may be a sale of all of the shares of stock, partnership interests or membership units of the entity subject to the same conditions listed in subparagraph (b) above to a purchaser, as though the person acquiring were a purchaser under section 18.2 of this Agreement. All ownership certificates shall have endorsed upon them the following:

The transfer of this stock (or membership unit) is subject to the terms and conditions of a Franchise Agreement dated \_\_\_\_\_, 200\_\_\_\_, between AAMCO Transmissions, Inc. and \_\_\_\_\_

4. Franchisee agrees that this Agreement may not be transferred by a corporation, partnership or limited liability company by transfer of stock, partnership interests, membership units or by any other means.

**B. Sale, Assignment or Transfer.**

1. Franchisee agrees to submit to AAMCO a copy of any written offer received to purchase the Center or a statement from Franchisee of the terms of the proposed sale and the identity of any proposed purchaser before execution of an agreement of sale.

2. If Franchisee dies and his personal representative does not desire to sell the Center, and if under controlling local law, the deceased Franchisee's interests in the Center, and this Agreement are distributable to heirs or legatees who are members of his immediate



family and who otherwise would qualify as assignees under the terms of this section, then such attempted assignment by operation of law shall not be deemed in violation of this Agreement, provided that such heirs or legatees accept and fulfill the conditions imposed in section 18.2(c).

3. If Franchisee desires to sell his AAMCO Center, he may do so provided that the purchaser is first approved by AAMCO. AAMCO agrees to approve such prospective purchaser if his credit ratings are satisfactory, he has good moral character and has a reputation and business qualifications satisfactory to AAMCO, and provided further that:

a. all prior, ascertained or liquidated debts of Franchisee in connection with the Center, including all sums due under the Franchise Agreement, specifically without limitation sums owed for franchise fees, local, regional, national, national creative or yellow page advertising, sums owed to an advertising agency, sums due other AAMCO Centers and any amounts due because of a default of any provision of this Agreement are paid concurrently with the assignment, sale or transfer;

b. all warranty, intershop and customer service obligations of Franchisee in connection with the Center are assumed by assignee, buyer or transferee;

c. Franchisee is not subject to an uncured notice of default under this Agreement and all monetary obligations to AAMCO or the applicable advertising pool are satisfied prior to or upon a sale, assignment or transfer;

d. the assignee, buyer or transferee, prior to the effective date of the assignment, sale, or transfer, satisfactorily completes the AAMCO training program required of new franchisees;

e. the assignee, buyer or transferee executes AAMCO's then current standard franchise agreement for a full fifteen-year term;

f. Franchisee, assignee, buyer or transferee, prior to the assignment, sale or transfer, pays to AAMCO its then current training fee and franchise issuance fee of six thousand dollars (\$6,000) in connection with the administration and approval of such assignment, sale and issuance of a franchise to such assignee, buyer or transferee; and

g. Franchisee and all shareholders, partners, members or other person or persons having control of a corporate or similar entity shall execute a general release under seal of all Claims in favor of AAMCO and a termination of franchise.

4. If Franchisee sells his AAMCO Center without the aid or assistance of AAMCO then the purchaser must sign a current form of franchise agreement. The purchaser has the option of signing an agreement for only the balance of Franchisee's term at the franchise fee being paid by Franchisee, or, of signing an agreement for a fifteen (15) year term, the first portion of the term will be for the balance of Franchisee's term at the franchise fee being paid by Franchisee, and the second portion of the term will be for the remainder of the fifteen (15) year term at the franchise fee being charged by AAMCO for new franchises as of the time of the purchase.

5. If Franchisee has listed his Center with AAMCO or the purchaser has received a presentation from AAMCO's franchise sales department within the past 12 months,

then the purchaser must sign a current form of franchise agreement for a fifteen (15) year term at the franchise fee being charged by AAMCO for new franchises as of the time of the purchase.

C. Attempted Sale, Assignment or Transfer. If Franchisee attempts to sell, assign or transfer his AAMCO Center without following the procedures required by this Agreement, then any such attempted sale, assignment or transfer is void. In the event that such attempted assignment or transfer is to an entity wholly or partially owned or controlled by Franchisee, then, at AAMCO's option, Franchisee agrees on behalf of the entity that the attempted assignment or transfer shall subject the entity to all the terms and conditions of this Agreement. Franchisee shall remain jointly and severally liable for all obligations and responsibilities of this Agreement, including money owed, despite any such attempted and/or unauthorized sale, assignment or transfer of Franchisee's AAMCO Center.

XIX. TERMINATION AND PROCEDURES AFTER TERMINATIONTermination.

1. AAMCO, at its option, and without prejudice to any other rights or remedies which it may have under this Agreement, at law or in equity, may terminate this Agreement by giving written notice to Franchisee upon the occurrence of any of the following:

a. if Franchisee fails to complete the initial training program to AAMCO's satisfaction, this Agreement will be terminated immediately; or

b. if Franchisee is delinquent in the payment of the franchise fee or any advertising fee or sum, or any other payment due AAMCO or under this Agreement;

c. if Franchisee shall be adjudicated a bankrupt or declared insolvent; if a temporary or permanent receiver of his property or any part thereof is appointed by a court of competent authority; if he makes a general assignment for the benefit of his creditors; if execution is levied against his business or property; if Franchisee abandons the Center or ceases its operation for a period of more than five (5) consecutive business days;

d. if Franchisee sells or attempts to sell, transfer or assign his rights in the Center and/or under this Agreement without the approval of AAMCO as required by this Agreement;

e. if Franchisee terminates or attempts to terminate or rescind this Agreement for any reason;

f. if Franchisee fails to make any payments to an advertising agency and/or a local advertising group or pool or to make any other advertising payment required by section 11 of this Agreement;

g. if Franchisee defaults in the performance of any of the other terms, conditions and obligations of this Agreement or of his lease for the premises at which the Center is located.

h. if, Franchisee breaches paragraph 8(a) or 8(c).

2. Upon receipt of notice pursuant to section 19.1(a), Franchisee shall have ten (10) days within which to cure completely any default based on a failure to make any payment required under any provision of this Agreement. For any other default, except as set