

FRANCHISE DISCLOSURE DOCUMENT

Pirtek USA LLC
A Delaware Limited Liability Company
300 Gus Hipp Boulevard
Rockledge, Florida 32955
Telephone: (321) 701-3330
www.pirtekusa.com



The franchise offered is for the right to own and operate a PIRTEK® service and supply center business (“Business”), which will consist of the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components and other distinctive products and services.

The total investment necessary to begin operation of a Tier 1 PIRTEK® franchised business is \$386,300 to \$869,300, which includes \$220,000 to \$361,000 that must be paid to the franchisor or its affiliates, and \$201,400 to \$518,000 for a Tier 2 PIRTEK® franchised business, which includes \$115,000 to \$224,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Department at 300 Gus Hipp Boulevard, Rockledge, Florida 32955 and (321) 701-3330.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information on franchising.

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

Issuance Date: March 25, 2020

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit 4.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 3 includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only PIRTEK business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a PIRTEK franchisee?	Item 20 or Exhibit 4 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit 1.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

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

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

**NOTICE REQUIRED
BY
STATE OF MICHIGAN**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48909, telephone (517) 373-7117.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

TABLE OF CONTENTS

	<u>Page</u>
Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
Item 2 BUSINESS EXPERIENCE	3
Item 3 LITIGATION	5
Item 4 BANKRUPTCY	5
Item 5 INITIAL FEES	5
Item 6 OTHER FEES	6
Item 7 ESTIMATED INITIAL INVESTMENT	11
Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	17
Item 9 FRANCHISEE’S OBLIGATIONS	19
Item 10 FINANCING	21
Item 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	23
Item 12 TERRITORY	29
Item 13 TRADEMARKS	32
Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	33
Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	34
Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	35
Item 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	35
Item 18 PUBLIC FIGURES	39
Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS	39
Item 20 OUTLETS AND FRANCHISEE INFORMATION	41
Item 21 FINANCIAL STATEMENTS	47
Item 22 CONTRACTS	47
Item 23 RECEIPTS	48

EXHIBITS

1. List of State Administrators and Agent for Service of Process
2. Franchise Agreement with Acknowledgment Addendum, State Specific Addenda to Franchise Agreement and Appendices A (Franchised Location, Territory, Promotional Zone), B (Ownership and Management Addendum), C (Marks), D (Addendum to Lease), E (Computer Software License Agreement), F (Draft Authorization), G (Assignment of Telephone Numbers), and H (Assignment of Domain Names and E-Mail Address)
3. Audited Financial Statements
4. Franchisee and Franchisee Termination Lists
5. Form Confidentiality Agreement
6. Form Franchise Renewal Addendum
7. Form SBA Addendum
8. Form of General Release
9. Operations Manual Table of Contents
10. Sample Financing Documents
11. State Effective Dates
12. Receipts

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “PIRTEK,” “we,” “us” or any similar reference means Pirtek USA LLC, the franchisor. “You,” “your” or any similar reference means the person who buys the franchise. If the franchisee is a corporation, partnership or other entity, “you” may also mean its owners. Certain provisions of the franchise agreement apply to your owners and are noted in this Disclosure Document.

We are offering PIRTEK® franchises in the United States under master franchise rights granted to us in June 1997 by Pirtek Fluid System Pty. Ltd. (“PFS”), the head franchisor based in Australia. Several items of information in this Disclosure Document are stated twice where necessary, once for us and separately for PFS. This duplicate disclosure is required by federal regulation, but you should be aware that we are an independent business from PFS and operate under a master franchise agreement with PFS that obligates us to adhere to various requirements that PFS establishes and modifies from time to time. The master franchise agreement is further described in Item 13. PFS does not guarantee the performance of our franchise obligations. Through an acquisition effective on December 19, 2014, although not a subsidiary of PFS, we now are under common ownership with PFS, and PFS is now considered an affiliate of ours for purposes of this Disclosure Document. As discussed below, PFS is also the head franchisor of the Pirtek business. PFS’s address is listed below. PFS does not guarantee the performance of our obligations to you. Your franchise agreement is a contract solely between you and us.

We are a Delaware limited liability company formed in June 1997. We have no parents or predecessors. Our principal business address is 300 Gus Hipp Boulevard, Rockledge, Florida 32955. We do business under our corporate name and PIRTEK.

Our agents for service of process are disclosed in Exhibit 1 to this Disclosure Document.

We grant franchises to qualified persons for the right to own and operate a PIRTEK service and supply center business (the “Business” or “Service and Supply Center”). We also are in the business of the administration of our franchise system. We started granting PIRTEK service and supply center franchises in June 1997. We have not previously offered franchises in any other line of business. As of December 31, 2019, there were 89 franchised PIRTEK businesses. Although we have had affiliate operate company-owned PIRTEK businesses in the past, as of the date of this Disclosure Document, we do not have any affiliate or corporate owned PIRTEK businesses. Through partial common ownership, we do have an affiliate Arana Treasury LLC (“Arana”), a Delaware limited liability company formed on March 26, 2019. Arana may offer certain financing services to qualifying Tier 2 franchisees as described below and in Item 10. Arana has the same principal business address as we do, has not offered franchises in any line of business and has not operated any business other than offer financing services.

PFS is an Australian company incorporated in New South Wales, Australia in December 1979. PFS’ principal business address is 3-5 Garling Road, Kings Park, New South Wales 2148;

telephone: (612) 8822-9000. PFS does not offer or sell franchises in the United States nor does it provide any products or services to franchisees in the United States. Further, PFS has no predecessors or any affiliates offering or selling franchises in the United States or providing products or services to franchisees in the United States. PFS does business under its corporate name and the trade name “PIRTEK Hose Service Centers.” PFS has operated the PIRTEK hose service center business in Australia since 1980, and in 1986 it began to offer PIRTEK franchises in Australia. PFS has not offered franchises in any other line of business. As of December 31, 2018, there were 98 franchises in Australia. These franchises are the type of business that the franchisee will operate (that is, hose service center businesses). Since 1988, PFS also has granted master franchise rights for the PIRTEK business and the operation of PIRTEK centers in many other countries throughout the world. In all, as of December 31, 2019, there were PIRTEK hose service center businesses in a number of countries around the world, including Australia, Belgium, England, Germany, Ireland, Kenya, Namibia, Netherlands, New Zealand, Norway, Scotland, Singapore, South Africa, Tanzania, Wales and Zambia. The Pirtek systems in some of these countries are operated by independent, unaffiliated master licensees with no common ownership interests like exist in the United States.

The franchise granted to you is the right to own and operate a PIRTEK Business according to the terms of the standard PIRTEK Franchise Agreement (the “Franchise Agreement”). A copy of the Franchise Agreement is included in this Disclosure Document as Exhibit 2.

During the operation of your Business, you will use our distinctive products and services, standards and specifications, sales and business techniques and image (the “System”), as well as the trademarks associated with the System (the “Marks”) as further described in Item 13. Your Business will consist of the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components and other distinctive products and services. You will operate your Business from a Service & Supply Center and mobile sales and service units (“MSSU’s”) (collectively referred to sometimes as the “Center”) within a particular geographic territory (the “Territory”). Most franchisees will develop their Business as a Tier 1 Business, which means that you will develop and operate your Service & Supply Center in the initial months of the Business and continue to add MSSU’s as your Business grows. In limited instances in less populated areas, we may authorize a franchisee to operate a Tier 2 Business, which means that you will initially operate two MSSUs and without a Service & Supply Center, with the requirement that you add additional MSSUs and open a Service & Supply Center within specified timeframes set forth in Appendix A to the Franchise Agreement. The Franchise Agreement for a Tier 1 Business and a Tier 2 Business is the same, except as set forth in Appendix A to the Franchise Agreement. The disclosures in this Disclosure Document apply to both a Tier 1 and Tier 2 Business, except where we include separate disclosure for each of the Tiers.

You will sell the PIRTEK products and services from your Business to a vast array of mobile and stationary (fixed) plant and equipment users within the following markets, depending on the location of your Business: earthwork and construction; industrial manufacturing; food production; materials handling; air, sea and land transport; agriculture; mineral exploration and mining; and government and utilities businesses and others.

You will compete with other businesses within the “bulk” or Original Equipment Manufacturing (“OEM”) hose and fitting market. This market is very competitive and includes national and international brand product suppliers like Aeroquip, Parker Hannifan and Gates Rubber Co. Other competitors may be generally associated with rubber tire production and include Goodyear, Dunlop, Yokohama and Bridgestone. As of the date of this Disclosure Document, we cannot predict what impact these significant economic conditions will have on businesses generally or the industrial and hydraulic hose industry. There may be additional, unforeseen changes in the economy and the industry.

There are no laws or regulations specific to the operation of a business featuring the sale, assembly and installation of the PIRTEK products, although there may be specific regulations applicable in some industries in which your customers operate. For example, in the food industry, stainless steel piping must be used in food processing. In addition, your Business will be subject to federal, state and local laws regarding the storage, use and disposal of hazardous materials. There also will be other local, state and federal laws applicable to your Business that apply to businesses generally, and we urge you to make further inquiries about these laws. It is your sole responsibility to obtain and keep in force all necessary licenses and permits required by public authorities. Since early 2020, the COVID-19 virus pandemic continues to significantly disrupt local, regional and global economies and businesses. Because of resulting operating restrictions, limitations on group gatherings, forced closures, and other consequences of the COVID-19 outbreak, it is likely that there will be substantial disruptions in customer demand, the supply chain for products and services, employee availability, and other aspects of operating your Business. You will also be required to comply with any applicable laws, rules and governmental orders issued in response to the outbreak.

Item 2

BUSINESS EXPERIENCE

Pirtek

Manager: Peter Duncan

Mr. Duncan has been a Manager of Pirtek since December 19, 2014. He has been Chairman of the Directors of PFS or Managing Director for more than the last five years.

Executive Chairman and Manager: Glenn Duncan

Mr. Duncan has been our Executive Chairman since January 2019. He has served as a Manager since December 19, 2014 and was our Chief Executive Officer from December 2014 to January 2019. He has also been with PFS (Pirtek International) for more than the last five years and has served as Director since 2004.

Chief Executive Officer: Kim Gubera

Ms. Gubera has been our Chief Executive Officer since January 2019. She served as our Vice President and Chief Financial Officer from January 2018 to January 2019, and our Corporate Controller from February 2016 to December 2017. Prior to joining Pirtek, Ms. Gubera served as the Director of Finance at U.S. Lawns, Inc., based in Orlando, Florida, from August 2000 to February 2016.

President: Daniel P. Perry

Mr. Perry has been our President since January 2018. He also served as our Chief Operating Officer from January 2017 to January 2019 and our Chief Financial Officer from November 2015 to January 2018. Prior to joining Pirtek, Mr. Perry was a Consultant for Small Business Solutions, Inc. in New Smyrna Beach, Florida from January 2015 until November 2015. Mr. Perry has also served as Manager of Arana Treasury LLC since March 2019.

Franchise Training Manager: Jamie Vokes

Mr. Vokes has been our Franchise Training Manager since January 2003 and acted as a Consultant for Pirtek from April through December 2002.

PFS

The following list discloses the principal officers and directors of PFS. As noted in Item 1, PFS does not offer or sell franchises in the United States or provide products and services to franchisees in the United States.

Chairman of the Directors: Peter B. Duncan

Mr. Duncan co-founded PFS and the PIRTEK system in 1980 and has been Chairman of the Directors or Managing Director of PFS for more than the last 5 years.

Executive Director Pirtek International: Glenn Duncan

Mr. Duncan has been with PFS for more than the last 5 years and has served as Managing Director since January 2004.

Director and CEO: Stephen Dutton

Mr. Dutton has been with PFS for more than the last 5 years and his current title is CEO. He has served as a Director since January 2005.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

Item 5

INITIAL FEES

You must pay to us an Initial Franchise Fee of \$50,000 for a Tier 1 Business and \$20,000 for a Tier 2 Business. In addition, for a Tier 1 Business you must pay to us an Opening Set-up Fee in an amount between \$5,000 and \$14,000, plus for both a Tier 1 and Tier 2 Business you must pay up to \$10,000 for our designated computer system (“Computer System”) and Computer Connection Fee, although in 2019 the Computer System Fee we collected was \$5,000.00 You must pay the Initial Franchise Fee when you sign the Franchise Agreement. Additionally, you must pay the Opening Set-up Fee on or before the first day of the initial training program, and the Computer System and Computer Connection Fee before you commence business operations. In connection with the Opening Set-up Fee, we will spend approximately 10 to 15 business days at your Center prior to opening to generally get you ready to open your Center for business.

In addition to the Initial Franchise Fee, Opening Set-up Fee and Computer System and Computer Connection Fee, you must purchase from us the opening inventory, and certain items of the equipment, uniforms and other similar items with the PIRTEK trademark (“Other Items”) for your Tier 1 Business, for a total of approximately \$160,000 to \$287,000 and for a Tier 2 Business those amounts total approximately \$80,000 to \$180,000. During our 2019 fiscal year, we collected amounts ranging from \$12,500 to \$150,000 for the Other Items described in this Paragraph.

We participate in the Veterans Transition Franchise Initiative (commonly referred to as “Vet Fran”), which seeks to provide an opportunity for veterans who want to be in business. If you are an honorably discharged veteran of the U.S. Armed Forces, you may be eligible to receive a \$15,000 discount off the Initial Franchise Fee amount due at the time you sign the Franchise Agreement for a Tier 1 Business or \$5,000 off the Initial Franchise Fee for a Tier 2 Business.

All amounts in this Item 5 are payable in lump sum and are not refundable, except in those instances where a qualifying Tier 2 franchisee may use the financing described in Item 10 to finance up to \$100,000 of amounts due for the Initial Franchise Fee, Computer System, Computer Connection Fee and Other Items with the balance of those amounts due when the Franchise Agreement is signed.

Item 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Continuing License Fee	4% of your Gross Sales.	On or before the 10 th day of the month following the month for which the fee is due.	See Notes 2 and 10.
Marketing Fees	1½% - 3% of your Gross Sales.	On or before the 10 th day of the month following the month for which the fee is due.	See Notes 3 and 10.
Local Marketing	0.375% - 0.75% of your Gross Sales.	When due.	See Note 4.
Transfer Fee	\$25,000	At time of transfer.	See Note 6. Also see Item 17 for additional information on transfer requirements.
PIRTEK Meetings	Will vary under the circumstances.	When incurred.	You must pay all travel, living and other expenses while attending PIRTEK meetings, which will include an annual national conference and regional meetings. We may charge a conference fee payable to us to cover some of the meeting costs, although you also will pay some of those charges directly to third parties.

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Audit and Recordkeeping Costs	Will vary under the circumstances.	After inspection or audit.	Audits and inspections generally will be at our expense. If, however, an audit is made necessary by your failure to furnish reports, financial statements, tax returns or schedules as required under the Franchise Agreement, or if any audit or inspection reveals that you have understated or underreported Gross Sales, Continuing License Fees, Marketing Fees or other amounts owed to us by an amount greater than 4%, in addition to the amounts owed to us, you must reimburse us for the cost and out-of-pocket expenses of the inspection or audit.
Interest Expenses	Will vary under the circumstances.	When due.	See Note 5.
Renewal Fee	\$2,500	Renewal of license.	See Note 6. See Item 17 for more information on renewal requirements.
Computer System Fee/Data Transfer	\$650- \$2,675 per month.	When due.	Range covers the minimum of 3 Syteline licenses needed for a Tier 1 Center. Amounts due to us and third party suppliers for software services, mobile computing pay, and other communication lines and technology services. These fees may increase as the Computer System changes. See Item 11 for more information on computer network system requirements.
Insurance	\$2,000 - \$10,000 annual premium for liability	When premiums are due.	See Note 7

Type of Fee	Amount (See Note 1)	Due Date	Remarks
	insurance only; plus other annual premiums ranging from \$4,000 - \$30,000 or more, which will vary under the circumstances.		
Center Relocation Assistance Fee	\$2,000	When incurred.	Required only if you request our assistance in connection with the relocation of your Business.
Remodeling Expenses	A maximum of \$5,000 per year for each year that you operate the Business under the Franchise Agreement.	When incurred.	The \$5,000 amount will be adjusted annually in accordance with any annual change in the National Consumer Price Index. The \$5,000 per year limitation does not apply to modernization requirements upon renewal.
Costs and Attorneys' Fees	Will vary under circumstances.	When incurred.	You must pay us for our costs and attorneys' fees in obtaining injunctive or other relief for the enforcement of the Franchise Agreement.
Dispute Resolution	\$5,000	When incurred.	See Note 8.
Penalty for Not Returning Manual	\$10,000	At the time of your failure to return the Manual upon termination or expiration.	Only payable if you refuse to return the Manual at time of termination or expiration.
Territory Infringement Fee	Fee can range from the gross profit or full invoice amount for the work (depending on the nature of the infringement up to 2-5 times the full invoice amount for intentional or subsequent infringements	Payable when invoiced.	See Note 9
Tier 2 MSSU/Center Fee as You Add MSSUs and Open Tier 2 Center	\$10,000 for MSSU 3, \$10,000 for MSSU 4 and \$10,000 for Center opening	Payable at designated timeline you are scheduled to add MSSU 3, MSSU 4 and	Required only if you operate a Tier 2 Franchise

Type of Fee	Amount (See Note 1)	Due Date	Remarks
		open the Service Center.	
Insufficient Funds Fee for ACH Draft For Monies Due to us or our Affiliates	1% of total amount attempted to draft, or \$300, whichever is greater.	When incurred.	See Note 10
Tracking System Services Fee	\$100 per van, per month. See Note 11.	Monthly	We require you to install and use a GPS tracking system in each MSSU.

Notes:

- (1) Except where otherwise noted, all fees are payable to us and are not refundable.
- (2) “Gross Sales” means the total revenues and receipts from the sale of all products or services, whether the orders for products or services originated from or were accepted at or from the Business or at any other place. “Gross Sales” are net of any applicable sales tax and any sales credits.
- (3) We will determine annually the exact percentage of Gross Sales for the monthly Marketing Fee. The Marketing Fee for our 2020 fiscal year (January 2020 through December 2020) is 1½%. See Item 11 for more information on marketing.
- (4) The local marketing requirement will be 25% of the amount of the Marketing Fee for any given year. Your local advertising expenses may be paid directly to third parties, although we may require you to provide us by January 31 each year with an accounting of the monies that you have spent for the preceding year on approved local marketing, as further described in Item 11.
- (5) All rates owed to us by you will bear interest computed using a fluctuating interest rate equal to the interest rate per annum publicly announced by the Wall Street Journal as the “prime” rate (currently the prime rate is the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks) as effective on the last day of the prior month plus 2% per annum, or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual thereof.
- (6) The transfer fee of \$25,000 and renewal fee of \$2,500 are subject to increase each year based on the annual change in the Consumer Price Index as reported by the U.S. Department of Labor.
- (7) You must maintain in force general comprehensive liability insurance in a minimum amount and with the type of coverage we designate from time to time (currently, this is at least \$3,000,000 combined single limit per occurrence). We estimate that the average

annual premium for this insurance coverage will be approximately \$2,000 - \$10,000 or more. Additionally, you must purchase and maintain in full force and effect business interruption insurance for actual losses sustained. You also must maintain in force insurance covering operation or maintenance of any building, equipment, MSSU motor vehicles that you own or lease in connection with your Business and any other insurance required by local, state or federal law. Insurance premiums for building, equipment and motor vehicles and other insurance required by law can vary dramatically depending on the type of building, equipment or vehicle and the state in which your Business is located, but the premiums should range from \$4,000 - \$30,000 or more. We may reasonably increase the minimum liability protection requirement annually and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in public or product liability litigation or other relevant changes in circumstances. Premiums are payable in amounts and at times as required by your insurers. You must submit all insurance coverage for our approval at least 14 days before you obtain possession of the Business premises. All insurance policies must name us as an additional insured and must provide that we will receive 30 days' prior written notice of amendment, termination, expiration or cancellation of any policy. You must submit to us each year a copy of the certificate or other evidence of the issuance, renewal or extension of each insurance policy. If you fail to maintain the required insurance, we may obtain it on your behalf and you must reimburse us for costs incurred and premiums paid.

- (8) Before you or we can initiate arbitration or litigation in connection with a dispute under the Franchise Agreement, you will meet on an individual basis, with a member of our executive team, within two weeks of a request for such meeting. You are responsible for your own costs and expenses with respect to the meeting. If a party refuses to participate in the meeting, the refusing party must pay \$5,000 to the other.
- (9) If you conduct business in the territory or promotional zone of another PIRTEK franchisee or the territory or promotional zone of a corporate or affiliate center without written authorization and in violation of our then-current territory infringement policy, we reserve the right to charge you a territory infringement fee per our then current territory infringement policy, which currently is part of our Operations Manual. Infringement is also a default under your Franchise Agreement. We reserve the right to change our territory infringement policy, as well as any fees assessed, from time to time.
- (10) You must sign a draft authorization for your business bank account. A current copy of the draft authorization is included as Appendix F to the Franchise Agreement. The draft authorization permits us to draw from your account all amounts due and payable to us.
- (11) We require that you install and use a tracking system in each of your vans, using a third party vendor as we designate. At the time to this Disclosure Document the vendor has not been established, and the fees will be established by such vendor, which we approximate will be up to \$100 per month, per van.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (TIER 1 BUSINESS)

Type of Expenditure	Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$50,000 See Note 2	Lump sum	When you sign the Franchise Agreement	Us
Opening Set-up Fee	\$5,000 to \$14,000 See Note 3	Lump sum	First day of training	Us
Computer System, Mobility Solution and Computer Connection Fee	\$5,000 to \$10,000 See Note 4	Lump sum	Before opening	Us
Training	No separate fee for initial training because it is included in the Initial Franchise Fee; \$5,000 to \$15,000 for expenses (which is \$1,000 to \$3,000 per person for travel and living expenses during training) See Note 5	As incurred	Before opening	Third parties for travel and living expenses
Leasehold Improvements	\$5,000 to \$37,000 See Note 6	As incurred	As incurred	Third parties
Signs and Shop Equipment	\$56,000 to \$80,000 See Note 7	Lump sum or installments if leased	Before opening	Us or third parties
Mobile Sales & Service (MSS) Units	\$60,000 to \$270,000 See Note 8	Lump sum or installments if leased	Before opening	Third parties, although equipment to outfit MSSU must be purchased from us
Tracking System	\$300	As incurred	As incurred	Third Party
Prepaid Rent and Security Deposit	\$2,000 to \$5,000 See Note 9	Lump sum	Before opening	Landlord

Type of Expenditure	Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Opening Inventory	\$75,000 to \$90,000	As incurred	Before opening	Us and authorized third parties
Insurance Premiums	\$20,000 to \$40,000 See Note 10	As incurred	Before opening	Insurance companies
Utility Deposits and Business Licenses	\$1,000 to \$3,000 See Note 11	As incurred	Before opening	Third parties
Attorneys' Fees	\$2,000 to \$5,000 See Note 12	Lump sum	As incurred	Attorney
Additional Funds – 5 Months	\$100,000 to \$250,000 See Note 13	As incurred	Before opening and as incurred	Employees, third parties, etc.
TOTAL See Note 14	\$386,300 to \$869,300			

Notes:

- (1) This first table in Item 7 includes the *estimated minimum* requirements for beginning operations for a Tier 1 PIRTEK Business. The estimated minimum requirements will vary depending on factors like your financial condition and the arrangements and business decisions you make.

Except where otherwise noted, all fees that you pay to us are nonrefundable. Third-party lessors and suppliers will decide if payments to them are refundable.

- (2) See Item 5 for additional information on the Initial Franchise Fee and circumstances when the Initial Franchise Fee is refundable.
- (3) See Item 5 for additional information on the Opening Set-up Fee and circumstances when the Opening Set-up Fee is refundable.
- (4) See Item 5 for additional information on the Computer System Fee and circumstances when the Computer System Fee is refundable. The amount of this fee varies based on factors unique to your business (such as strength of internet connection and others) that may necessitate special hardware or other unique components to achieve a network connection.
- (5) See Item 11 for additional information on training.
- (6) The PIRTEK Center premises for a Tier 1 Business will ordinarily be leased rather than owned. We estimate that the average center will have approximately 2,000 - 4,000

square feet or more. Your initial investment for leasehold improvements will vary depending upon local labor costs and whether the building is a completed structure immediately adaptable to installation of necessary fixtures and equipment or a location where construction is in progress. These variables affect how different obligations will be distributed between landlords and tenants under different lease agreements and the costs of acquisition and construction. We must approve all leasehold improvements prior to construction. Although the cost of leasehold improvements will vary depending upon the above-described factors, we estimate that the average cost of leasehold improvements will range between \$5,000 and \$37,000 or more.

- (7) Your investment in signs and equipment is highly variable for your PIRTEK Center. The investment depends to a great extent on the size and location of your proposed center, local labor costs, current prices charged by equipment suppliers, discretionary expenditures, inflation, financing costs and similar factors beyond our or your control.

In order to ensure uniform quality of products and services throughout the PIRTEK system, you must purchase or lease signs and equipment that we have approved. We estimate that under average conditions you may expect to incur costs for these items between \$56,000 and \$80,000 or more.

The parties will determine the precise amount of any initial or periodic equipment payments at the time of the transaction. The payments ordinarily are not refundable. Investment obligations beyond the initial cash outlay requirements will be necessary and you may finance at your discretion. Market forces will determine loan repayment totals and interest on borrowings will be determined by market forces at the time of any financing transaction.

- (8) We require that you operate a minimum of 2 MSSUs for a Tier 1 Business but recommend 3 MSSUs when you open your Business. You must purchase or lease the MSSUs from approved third-party suppliers and outfit them with approved MSSU equipment purchased from us.
- (9) You usually will be required to pay one month base rent as a security deposit to the landlord. We estimate that for a PIRTEK center having 2,500 square feet the rental obligations will be approximately \$8.00 - \$13.00 or more per square foot base rent per year. Leases also usually impose an obligation toward maintenance costs, insurance charges, real estate taxes and special assessments, utility charges, water and sewer charges, security charges, and other similar charges.
- (10) See Item 6 for additional information on insurance.
- (11) This amount includes utility deposits and business licenses. Deposits are generally refundable, but license fees are not.
- (12) This amount is an estimate for attorneys' fees in connection only with your purchase of the franchise.

- (13) This amount estimates your initial pre-opening and start-up expenses not otherwise mentioned in the Table, including advertising, employee wages, taxes, and telephone hook-up. The amounts are estimates based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our 23 years of experience in the Business. We cannot guarantee that you will not have additional expenses starting your Business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, your business skills, local economic conditions, the local market for the PIRTEK Business, the prevailing wage rate, competition and the sales level reached during the initial period.
- (14) This total is an estimate of your initial investment for a Tier 1 Business and is based upon our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our 23 years of experience in the Business. You should review this amount carefully with a business advisor before making any decision to purchase the franchise. You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

YOUR ESTIMATED INITIAL INVESTMENT (TIER 2 BUSINESS)

Type of Expenditure	Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$20,000 See Note 2	Lump sum or financed See Note 2	When you sign the Franchise Agreement	Us
Computer System and Computer Connection Fee	\$5,000 to \$10,000 See Note 3	Lump sum or financed See Note 3	Before opening	Us
Training	No separate fee for initial training because it is included in the Initial Franchise Fee; \$2,000 to \$6,000 for expenses (which is \$1,000 to \$3,000 per person	As incurred	Before opening	Third parties for travel and living expenses

Type of Expenditure	Amount (See Note 1)	Method of Payment	When Due	To Whom Payment is to be Made
	for travel and living expenses during training) See Note 4			
Mobile Sales & Service (MSS) Units	\$60,000 to \$180,000 See Note 5	Lump sum or installments if leased	Before opening	Third parties, although equipment to outfit MSSU must be purchased from us
Tracking System	\$300	As incurred	As incurred	Third Party
Prepaid Rent and Security Deposit	\$700 to \$3,000	Lump sum	Before opening	Landlord
Opening Inventory	\$41,000 to \$53,000	As incurred or financed See Note 2	Before opening	Us and authorized third parties
Insurance Premiums	\$20,000 to \$40,000 See Note 6	As incurred	Before opening	Insurance companies
Utility Deposits and Business Licenses	\$400 to \$700 See Note 7	As incurred	Before opening	Third parties
Attorneys' Fees	\$2,000 to \$5,000 See Note 8	Lump sum	As incurred	Attorney
Additional Funds – 5 Months	\$50,000 to \$200,000 See Note 9	As incurred	Before opening and as incurred	Employees, third parties, etc.
TOTAL See Note 10	\$201,400 to \$518,000			

Notes:

- (1) The second table in Item 7 are the *estimated minimum* requirements for beginning operations for a Tier 2 PIRTEK Business. The estimated minimum requirements will vary depending on factors like your financial condition and the arrangements and business decisions you make.

Except where otherwise noted, all fees that you pay to us are nonrefundable. Third-party lessors and suppliers will decide if payments to them are refundable.

- (2) See Item 5 for additional information on the Initial Franchise Fee and circumstances when the Initial Franchise Fee is refundable. Item 10 describes the financing that may be available for the Initial Franchise Fee and Opening Inventory.
- (3) See Item 5 for additional information on the Computer System and Computer Connection Fee and circumstances when the Computer System and Computer Connection Fee is refundable. The amount of this fee varies based on factors unique to your business (such as strength of internet connection and others) that may necessitate special hardware or other unique components to achieve a network connection. Item 10 describes the financing that may be available.
- (4) See Item 11 for additional information on training.
- (5) We require that you operate a minimum of 2 MSSUs when you open your Business. You must purchase or lease the MSSUs from approved third-party suppliers and outfit them with approved MSSU equipment purchased from us. If leased, you typically will pay a down payment of up to 10% for two fully outfitted vans.
- (6) See Item 6 for additional information on insurance.
- (7) This amount includes utility deposits and business licenses. Deposits are generally refundable, but license fees are not.
- (8) This amount is an estimate for attorneys' fees in connection only with your purchase of the franchise.
- (9) This amount estimates your initial pre-opening and start-up expenses not otherwise mentioned in the Table, including advertising, employee wages, taxes, and telephone hook-up. The amounts are estimates based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our 23 years of experience in the Business. We cannot guarantee that you will not have additional expenses starting your Business. Your costs will depend on factors such as how much you follow our systems and procedures, your management skills and experience, your business skills, local economic conditions, the local market for the PIRTEK Business, the prevailing wage rate, competition and the sales level reached during the initial period.
- (10) This total is an estimate of your initial investment for a Tier 2 Business and is based upon our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our 23 years of experience in the Business. You should review this amount carefully with a business advisor before making any decision to purchase the franchise. You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process. You also will incur additional investment costs when you later add your third and fourth MSSUs and

develop and open your Center as part of your Tier 2 Business. Some of those costs could be higher than the costs included in the Tier 1 Business table in this Item 7 as of the date of this Disclosure Document.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To help assure a uniform image and uniform quality of products and services in all PIRTEK businesses, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us, you must improve and equip the building from which you operate your Business in accordance with our then current approved design specifications and standards. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (which includes MSSUs and hardware and software for the Computer System, a computerized record-keeping system), signage, fixtures, furnishings, products, supplies and marketing and sales promotion materials that meet our specifications and standards.

The Franchise Agreement requires you to sell or use only those products and services that we have approved in writing. The purpose of this requirement is to ensure that all franchisees adhere to the uniformity requirements and quality standards associated with PIRTEK businesses. We are the only approved supplier of inventory products for resale to customers (“Inventory Products”). You must purchase designated Inventory Products from us, except in the limited instances to satisfy a customer’s immediate demands as described in the PIRTEK Operations Manual. The Inventory Products include hydraulic, industrial and specialist hoses, hose fittings, adapters and accessories. In addition, we are the only approved supplier for the equipment necessary to outfit the MSSUs and all non-inventory items that contain the PIRTEK Marks. As of the date of this Disclosure Document, those items that contain the PIRTEK Marks include uniforms, printed forms like customer invoices and stationery, and promotional items like caps and pins, although this list may change during the term of the license granted in your Franchise Agreement. We also are the only approved supplier for some of the equipment necessary for the Computer System, including the proprietary and other software, modem, printer and printer accessories.

Upon request, we will periodically provide you with a list of approved suppliers for fixtures, equipment and other non-inventory items. We may modify the standards and specifications for these items from time to time. Except for designated Inventory Products, proprietary software and certain hardware components and other items that contain the PIRTEK Marks, you may make written request for approval of a specific item of an additional qualified vendor or supplier. We may grant our approval of the item if doing so will not create an inordinate number of vendors/suppliers (usually not more than 2) of the item. In addition, each vendor/supplier of a product must meet the following requirements: its item must comply with the applicable specifications and/or standards; the vendor/supplier’s facilities must be adequate to meet the needs of franchisees; and the vendor/supplier and its facilities must be accessible to periodic Pirtek evaluation. We may charge the cost of evaluating a proposed new

vendor/supplier and/or its item to you or the vendor/supplier. We do not make these specifications and/or standards generally available to franchisees or vendors/suppliers.

You must initiate the formal approval process to have a specific non-inventory item of an additional vendor/supplier approved (other than those items that contain the PIRTEK Marks). As part of this approval process, we may request the vendor/supplier to sign a confidentiality agreement and submit to us a sample of its specific item. We or a suitable testing facility or laboratory designated by us then will conduct tests and evaluations of the sample to determine whether the product conforms with the specifications and/or standards. We will notify the vendor/supplier of our evaluation results by mail usually within 180-270 days after our receipt of the sample. The vendor/supplier also may be required to sign an applicable supplier agreement. We may revoke our appointment if the vendor/supplier is in violation of any of the terms of the applicable supplier agreement or if we determine in our good faith but exclusive judgment that the vendor/supplier is not meeting the standards and specifications that we have established for that item or service.

In addition to purchasing approved products, you must install and use our designated Computer System. The Computer System contains required hardware and software components. You must acquire the proprietary software and certain parts of the hardware components from us. The proprietary Eclipse Software System is owned by Intuit Business Systems, which is based in Boulder, Colorado. In 2019 but after the date of this Disclosure Document, we will convert all users from Eclipse to a new ERP system. CloudSuite Industrial (SyteLine) is the Enterprise Resource Planning (ERP) software package which all Pirtek Centers will utilize to run their business operations. SyteLine is created and sold by Infor, which is a multi-national enterprise software company headquartered in New York, NY. You also must purchase and maintain insurance in amounts and types of coverage that we designate periodically, as described in Item 6, and any other insurance required by law or any agreement related to the franchise business. You must name us as an additional insured on all liability policies. You must furnish to us copies of all insurance policies. You may use only marketing and promotional materials that we have approved.

During the 2019 fiscal year, we derived revenue of \$20,655,241 from the sale of Inventory Products and other items described in this Item 8, or 85% of our total revenues of \$24,344,103 as noted in our 2019 audited financial statements included as an Exhibit to the Disclosure Document. This number includes revenue from Inventory Products sold by company-owned centers to end users. We derive revenue from the sale of Inventory Products and other non-inventory items to you by charging more than our wholesale purchase price from the manufacturers. You will pay the then-current price in effect at the time for the Inventory Products and other non-inventory items. In many instances, the cost of the Inventory Products and other non-inventory items to you may be higher than the cost of other hoses or other similar products on the market. Although we reserve the right to receive rebates and similar payments from approved suppliers we currently do not receive any such payments.

From time to time, we or another vendor or supplier may be the only approved supplier for non-inventory items because of the lack of requests for approval of alternative vendors or supplies. We may provide certain administrative, technical, inspection, advisory and other

services and data to certain suppliers in return for a fee as a result of transactions with franchisees. The fee may range from 0% to 20% of the suppliers' sales to franchisees. We may be able to occasionally negotiate with third-party suppliers so that the suppliers may offer their products or services to franchisees at favorable or discount prices.

We estimate that your purchase of equipment, products, supplies and marketing materials from us or that meet our specifications and standards will represent approximately 65% to 75% or more of the cost to establish the franchise business, and 15% to 25% or more of the cost to operate the franchise business on an ongoing basis.

When your franchise is up for renewal, or you apply for an additional franchise, among the factors we consider are your compliance with your Franchise Agreement and support of our programs and policies, which would include compliance with the requirements described in this Item 8.

Except for an officer who has an indirect ownership in the franchisor, no officer of the franchisor owns an interest in any approved supplier as of the date of this Disclosure Document.

There currently are no purchasing or distribution cooperatives. We may negotiate purchase arrangements with suppliers (including price terms), for the benefit of the franchise system. We do not provide material benefits to you (for example, renewal or granting additional franchises) based upon your purchase of particular products or services or use of particular suppliers.

Item 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other Items of this Disclosure Document.

Obligation	Section in agreement (1)	Disclosure document item
a. Site selection and acquisition/lease	Sections 2, 5A	Items 1, 7, 11, and 12
b. Pre-opening purchases/lease	Sections 5A, 6A-B	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Sections 2, 5A	Items 7 and 11
d. Initial and ongoing training	Sections 7B, 7D	Items 6 and 11

	Obligation	Section in agreement (1)	Disclosure document item
e.	Opening	Sections 2, 5A	Items 5 and 11
f.	Fees	Sections 8A-C, 9A-C	Items 5, 6 and 7
g	Compliance with standards and policies/Operating Manual	Sections 5A-F, 6A-N, Appendix E (Computer Software License Agreement)	Items 11 and 16
h	Trademarks and proprietary information	Sections 3A-E, 6C, 6E, 12A, Appendix E (Computer Software License Agreement)	Items 13 and 14
i.	Restrictions on products/services offered	Sections 2, 6A-B	Items 8, 11 and 16
j.	Warranty and customer service requirements	Sections 6A, 6D, 6L, 6M	Item 16
k	Territorial development and sales quotas	Sections 2, 6D	Item 12
l.	Ongoing product/service purchases	Sections 6A-C	Items 8 and 11
m	Maintenance, appearance and remodeling requirements	Sections 5A-F	Items 6 and 11
n	Insurance	Section 10B	Items 6 and 8
o	Advertising	Sections 9A-B	Items 6, 7 and 11
p	Indemnification	Section 10B, Appendix A	None
q	Owner's participation/management/staffing	Sections 7A-D	Items 11 and 15

	Obligation	Section in agreement (1)	Disclosure document item
r.	Records/reports	Sections 8C-E	Item 6
s.	Inspections/audits	Sections 6F, 8E	Item 6
t.	Transfer	Sections 14A-E, 15	Items 6 and 17
u	Renewal	Section 4	Items 6 and 17
v	Post-termination obligations	Sections 12A-C	Item 17
w	Non-competition covenants	Sections 10C, 12C	Item 17
x	Dispute resolution	Sections 13A-D	Item 17
y	Other	Not applicable	Not applicable

(1) Unless stated otherwise, references are to the Franchise Agreement.

Item 10

FINANCING

Our affiliate Arana offers financing to certain qualified franchisees. Arana reserves all rights to determine if a franchisee qualifies. If qualified, the financing is in the form of a revolving line of credit in an amount up to \$100,000, as determined by Arana. A qualifying franchisee must sign Arana's financing documents, a copy of the form documents is included in Exhibit 10 to this Disclosure Document (the "Financing Documents"). The Financing Documents include as part of Exhibit 10 are Secured Revolving Promissory Note, Guaranty for Revolving Note, Continuing Security Agreement, and Authorization for Preauthorized Payments.

Item Financed	Source of Financing	Amount Financed	Term	Annual Interest Rate	Monthly/Quarterly Payment	Pre-payment Penalty	Security Required	Liability Upon Default	Loss of Legal Right on Default
Initial Franchise Fee, Computer System, Computer Connection Fee and Opening Inventory	Arana (our affiliate)	Varies, up to \$100,000 revolving line of credit See Note (1)	Varies. Note (2)	8% per annum with interest accruing daily	See Note (3)	None	Yes See Note (4)	Yes See Note (5)	No See Note (6)

Notes:

(1) The amount available under the Secured Revolving Promissory Note will be up to a maximum of \$100,000 with advanced in increments of \$10,000 (Section 1 of the Promissory Note). No down payment is required.

(2) The term of the financing will vary depending on each particular situation and the related circumstances (typically, the term will be three to five years).

(3) Provided you are not in default, monthly payments will be all accrued and outstanding interest only, with all outstanding advances payable on the maturity date. (Section 3 of the Promissory Note). Payments will be made through your accounts indicated on the Authorization for Prearranged Payments.

(4) In connection with obtaining the revolving line of credit, you must execute a Continuing Security Agreement covering, among other things, all accounts, inventory, equipment, furniture, fixtures, tangible property, general intangibles, chattel paper and all proceeds (the "Collateral") (Section 1 of the Security Agreement. In addition, all of your owners must sign a personal guaranty. Arana will retain a security interest in the Collateral.

(5) In the event of any default under the terms of the Financing Documents, Arana will have the right to: (i) require immediate payment of all amounts owing, (ii) collect all amounts owing from you or any guarantor, (iii) file suit and obtain judgment, (iv) take possession of any Collateral, or (iv) sell, lease or otherwise dispose of any collateral at public or private sale, with or without advertisement. Arana will have the right to exercise any other rights under the Financing Documents. This may include, among other things, foreclosing on assets and/or taking any legal action against one or more guarantors for payment of all amounts due, and/or exercising our rights under the Security Agreement and/or Guaranty.

(6) A default under the terms of the Financing Documents will constitute a default of your obligations under your Franchise Agreement.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-opening Assistance. Before you operate your Business in a Territory, we will

- (1) Grant to you a license to operate your Business in a Territory (Section 2 of the Franchise Agreement).
- (2) Provide training as described below in this Item 11 (Section 7B of the Franchise Agreement).
- (3) Loan to you, or make available through digital means, one copy of our confidential Operations Manual for the Business, containing mandatory and suggested specifications, standards and operating procedures for the Business (Section 6C of the Franchise Agreement).

Ongoing Assistance. During the operation of your Business, we will

- (1) Furnish you from time to time with updated and revised material for our confidential Operations Manual (Section 6C of Franchise Agreement).
- (2) Evaluate your Business, which may include reviewing your overall performance and financial results and accompanying you on sales or service calls (Section 6D of the Franchise Agreement).
- (3) Establish and conduct various marketing and sales promotion programs (Sections 9A-B of Franchise Agreement).
- (4) In addition, we may, from time to time, make suggestions to you with regard to your pricing policies. We also reserve the right to establish minimum and maximum prices you may charge in the operation of the Business to the extent permitted by applicable law. In addition, we have the right to negotiate Strategic Account arrangements, including pricing which will bind all Businesses providing services to such Strategic Accounts. (Section 6.N of the Franchise Agreement).

Marketing Programs. You must pay Marketing Fees to us in an amount equal to 1½ % to 3% of Gross Sales for marketing and promotion programs to promote the PIRTEK System and products. All franchisees in a designated marketing area (“DMA”) must contribute Marketing Fees at the same rate, and we or our affiliates will contribute Marketing Fees at the same rate for company or affiliate-owned centers in a particular DMA. We will notify you annually of the exact percentage of Gross Sales for the monthly Marketing Fee, except for any year in which it will remain unchanged. We may formulate, develop, and conduct marketing and promotion

programs in a form and media we determine to be appropriate. Media used for marketing programs includes written publications and promotional pieces, and also may include television and radio in the future. We reserve the right to use the Marketing Fees to reimburse us for all costs that we incur related to the marketing and promotion programs, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development, production and administration of the marketing and promotion programs.

As of the date of this Disclosure Document, we formulate, develop and conduct the marketing and promotion programs in-house, and we may form an in-house marketing department in the future. We reserve the right in the future, however, to use a national or regional advertising agency for the marketing and promotion programs. We also will utilize our PIRTEK Franchisee Advisory Council (“FAC”) to serve in an advisory capacity only on marketing and promotion programs. We have the power to form, change or dissolve the FAC. We also reserve the right to require marketing cooperatives to be formed, changed, dissolved or merged.

In addition to the Marketing Fees paid to us, you must spend at least an amount equal to ½ of your Marketing Fee on approved local marketing. You must submit all local marketing materials to us for our approval prior to use. Your general conduct on any web site or other on-line communication and specifically your use of the PIRTEK Marks or any advertising on a web site (including any domain names) or other communications is subject to our approval. We will not unreasonably withhold approval of any marketing materials that you propose to use, if your materials are factually accurate and current, conform to the highest standards of ethical marketing, and are in good condition and accurately depict the PIRTEK Marks. On or before January 31 of each year, we may require you to submit to us an accounting of the monies you have spent for the preceding year, together with copies/proof of all marketing. As of the date of this Disclosure Document, there are no advertising cooperatives.

We have no obligations to spend any amount on marketing in the area or Territory where you are located. For Marketing Fees not spent in any fiscal year, the excess will be carried over for future use. The Marketing Fees are not held in a trust or escrow account. You have no property rights of any kind with respect to the Marketing Fees, and we do not have any fiduciary obligations to you or other franchisees regarding the Marketing Fees. In addition, from time to time, we may loan money to assist in funding certain marketing programs, which money will be repaid out of the Marketing Fees with interest to us. During our 2019 fiscal year, use of the Marketing Fees was as follows:

Sponsorships	48.60%
Marketing Fund Rebate Program	17.86%
Media	17.58%
Public Relations	7.77%
Miscellaneous	2.87%
Printing	3.21%
Promotional Items	1.21%
Tradeshows	0.90%
Total	100%

Upon request, we will provide you with an unaudited financial report showing receipts and disbursements of the Marketing Fees. The Marketing Fees will not be used for advertising principally directed at the sale of franchises.

Computer System. You must install and use our designated computer system (“Computer System”), which currently costs approximately \$5,000 to \$10,000. This system may be modified from time to time in response to business, operations and marketing conditions (Section 6.J of Franchise Agreement). In connection with the Computer System, you must sign a Computer Software License Agreement, a copy of which is included as Appendix E to the Franchise Agreement. As of December 31, 2019, the Computer System includes the following components:

- (1) The PC compatible hardware component, printer and its accessories.
- (2) The printer requirements include one PCL5 or PCL6 laser printer (network capable).
- (3) The required proprietary and other software for the Computer System. The proprietary software is the SyteLine software system, which is an enterprise class software package designed for use in distribution companies. Syteline is built and deployed on Microsoft.NET technology platform and comprises “Windows Server” as the base operating system, SSQL Server as the underlying database, and a Microsoft.NET framework of core native Microsoft technologies to deliver the application.

You will have remote access to the Computer System by a PC that is linked to our own computer server located in Florida. You will have access to your own database, which is stored on our Franchise Service Center computer server. You will be able to access all of your own business information, update existing information, produce reports, and view our Franchise Service Center’s product inventory. We will have independent access to all of this information for your center with no contractual limitation on our right to the information.

The Computer System is utilized by all PIRTEK Centers. SyteLine is created and sold by Infor, which is a multi-national enterprise software company headquartered at 641 Avenue of the Americas New York, NY 10011 tel.no. +1 646 336 1700.

The annual cost of maintenance and support for the Computer System will be shared on a pro-rated basis by you and all other end-users in the PIRTEK system. We will provide the maintenance and support. In addition, you are contractually obligated to pay the vendor for any upgrades or updates with no contractual limitation on the frequency or cost of the obligation, including upgrades that may link a mobile based computer on your MSSUs with the Computer System. Currently, we estimate the total annual maintenance upgrade and support obligations to cost approximately \$7,800 - \$24,000.

Site Selection. We do not select the site for your PIRTEK hose service center, although we must consent to the site. The general site selection criteria you should consider includes traffic patterns, ease of ingress and egress, size and cost of property, off-road area for loading and unloading, customer parking, demographic surveys, types of businesses in the general vicinity and other similar factors. You are solely responsible for locating a site that meets our standards and criteria and that is acceptable to us. We generally will respond within 30 days of your request for approval of a proposed site. If we do not approve the site you propose, we will permit you to examine alternative search areas for your site. The Franchise Agreement does not have any provision that addresses termination if you do not select a site within a prescribed time period, although your failure to open the Business within 120 days after signing the Franchise Agreement constitutes a default for which may terminate the agreement after 30 days if you fail open the Business. Our identification of, consent to, or acceptance of a site for a PIRTEK Business does not constitute a guarantee, recommendation, assurance or endorsement as to the success of the site of your Business.

From time to time you may be required to modernize, refurbish and replace buildings equipment, signage, display areas, furnishings and grounds in order to conform to our standards. The maximum amount that you will be required to spend on any such modernization, refurbishing and/or replacement will be a cumulative amount equal to \$5,000 per year for each year that you have operated your Business, with the \$5,000 amount adjusted annually in accordance with any annual change in the National Consumer Price Index.

Development Time. You must open your Business within 120 days of signing your Franchise Agreement. Factors affecting this length of time usually include arranging financing, successfully completing training and other possible factors.

You should not expend funds or make any other commitment in connection with the franchise and should not resign from existing employment, relocate or take any similar action until our approval of the franchise, which we will specifically communicate to you in writing.

Training. You must attend and complete to our satisfaction the initial Tier 1 or Tier 2 training program before you begin operating your Business. Training is available to you, your designated manager (if someone other than you), your operations manager, at least two MSS technicians and the administration person for your Business. We conduct our training program at the Franchise Support Center in Rockledge, Florida, or other locations designated by us, including a host PIRTEK center for “on the job” work experience as described in the table below. The training will generally be for 1 week and is scheduled to begin approximately 1-2 weeks before you open your Business, followed by 2 weeks of on-site support. The training program includes two phases: (i) instruction regarding the general management of the Business; and (ii) instruction regarding the sales and service aspect of the MSSU part of the Business.

Any training provided by us to any of your employees will be limited to training or guidance regarding the delivery of approved products and services to clients in a manner that reflects the customer service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are

solely responsible for all employment decisions and actions related to your employees. You are solely responsible for ensuring that your employees receive adequate training.

TRAINING PROGRAM

General Management Program

Subject	Hours of Classroom Training	Location
GENERAL (Overview & orientation)	1	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
OPERATIONS (Safety, products and technical)	20 to 24 hours	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
FRANCHISING (territory grant and promotional obligations, teamwork within the PIRTEK network)	1	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
SALES & TERRITORY MANAGEMENT (the role of the franchise owner in sales and promoting the PIRTEK Products and services)	4 to 5 hours	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
COMPUTER SYSTEM (navigation, inventory control and suggested P.O.)	4 to 6 hours	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
INVENTORY (Purchasing, inventory control and suggested P.O.)	3 to 4 hours	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
TABLET BASED TOOLS (Recording sales calls and producing work orders)	1 to 2 hours	Franchise Corporate Headquarters & Training Facility; Rockledge, FL
MANAGEMENT (Team building, planning, strategic pricing)	1 to 2 hours	At your franchise Territory or another location we designate
MARKETING (Image, literature and uniforms)	1 hour	Franchise Support Center in Rockledge, Florida or another location we designate
TOTALS	36 to 46 hours	

MSST Training Program

Subject	Hours of Classroom Training	Location
GENERAL (Overview and orientation)	1 to 2 hours	Franchise Support Center in Rockledge, Florida or another location we designate
OPERATIONS (Safety, products and technical)	25 to 28 hours	Franchise Support Center in Rockledge, Florida or another location we designate
SALES & TERRITORY MANAGEMENT (The role of the operator in sales and promoting the PIRTEK product and services)	4 to 5 hours	Franchise Support Center in Rockledge, Florida or another location we designate
TABLET BASED TOOLS (Recording customer information & producing works orders)	1 to 2 hours	Franchise Support Center in Rockledge, Florida or another location we designate
INVENTORY (Van stocking)	6 to 8 hours	Franchise Support Center in Rockledge, Florida or another location we designate
BEST PRACTICES (Reviewing and practicing items from training)	1 hour	Franchise Support Center in Rockledge, Florida or another location we designate
FRANCHISING (Territory grant and promotional obligations, teamwork within the PIRTEK network)	1 hour	Franchise Support Center in Rockledge, Florida or another location we designate
TOTALS	39 to 47 hours	

- (1) The instructional materials include the Operations Manual, product and sales training guides including on-line videos, CRM and computer software packages, lectures and hands-on practice.
- (2) As of the date of this Disclosure Document, Jamie Vokes is primarily responsible for the training program. Jamie has more than 17 years of experience with us, as further described in Item 2.

You must pay for the salaries, travel, accommodation and related costs for all persons associated with you who attend the training program. We estimate the cost for travel and living

expenses during training to be \$1,000 to \$3,000 per person. We do not charge a fee for our initial training program. Any designated manager that you appoint for your Business must successfully complete to our satisfaction the full training program prior to assuming the responsibilities as designated manager. We may charge a reasonable training fee for any designated manager or other person who attends training after the initial training for your Business.

You (and your designated manager if someone other than you) must attend any annual national conference that we organize for our franchisees. In addition, you (and your designated manager if someone other than you) must attend regional seminars that we may organize from time to time. You are responsible for travel, lodging and related costs and fees for all persons who attend from your Business. Any training provided by us to any of your employees will be limited to training or guidance regarding the delivery of approved products and services to customers in a manner that reflects the customer service standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You are solely responsible for ensuring that your employees receive adequate training.

Operations Manual. We will provide you with access to the PIRTEK Operations Manual during the term of your franchise. The current Operations Manual table of contents is included in this Disclosure Document as Exhibit 9. As of the date of this Disclosure Document the Operations Manual consists of 159 pages.

Item 12

TERRITORY

You are granted the right to operate your Business within a designated Territory, subject to certain limitations described below. As a result, you will not receive an exclusive territory. You may face competition from other franchisees, from other outlets we or our affiliates may operate, or from other channels of distribution or competitive brands that we, our affiliates or third parties control, operate or franchise. We do, however provide you with Territory protections as described below and in the Franchise Agreement.

The method used to describe territorial boundaries of franchises generally will be one or a combination of the following: county lines, highways, streets, zip codes or waterways.

In exchange for granting you the rights within your Territory, we expect and require you to meet minimum performance standards in your Territory as follows (“Territory Performance Standards”). Beginning January 1, 2020, the Territory Performance Standards for Tier 1 and Tier 2 franchisees will include each of the following components: (i) a minimum number of MSSU’s that you will be required to operate in the Territory, as we reasonably deem necessary in accordance with Section 5.F of the Franchise Agreement after meeting with you at a location we designate to discuss the overall performance of your Business (you and we agree that we can adjust the minimum number of MSSU’s during the term of the Agreement); and (ii) an annual sales growth of 3%-3½% for your Business on a year to year basis, although that sales growth

requirement will not be used as a Territory Performance Standard for any year that 80% of our then-current Tier 1 centers in operation more than 12 months and for the full 12 month period do not achieve the annual sales growth requirement. We will designate the specific percentage between 3% and 3½% each year, with the percentage to remain unchanged from the prior year, unless we notify franchisees in writing prior to December 1. For 2020, the annual sales growth percentage is 3%.

If you do not meet the Territory Performance Standards, you will be subject to the Correction Process outlined below. If you are a multi-territory operator with multiple franchise agreements, the Territory Performance Standards will apply separately for each of your territories and franchise agreements.

Correction Process

If you do not meet part (i) of the Territory Performance Standard due to your failure to operate the minimum number of MSSU's, we will provide you with a 30 day period to take the necessary steps to meet the MSSU's requirement. Failure to take those steps within the 30 day period will be a default and may result in a notice of default under the Franchise Agreement.

If you do not meet part (ii) of the Territory Performance Standard (the annual sales growth requirement), subject to the 80% exception noted above, we may implement the following correction process.

First, we will notify you of your failure to meet the annual sales growth Territory Performance Standard, and we will actively work with you to (a) identify the reasons for such substandard performance, and (b) suggest ways for you to meet the annual sales growth Territory Performance Standard.

Second, at the end of the next 12 month measurement period, you will be reevaluated for compliance with the annual sales growth Territory Performance Standard, and if your Gross Sales for that year are below the year to year annual sales growth requirement for that year (between 3%-3½% as noted above), which means you have failed to meet part (ii) of the Territory Performance Standard for two consecutive years, we have the right to take away your Promotional Zone, without any additional steps or cure period, at which time you can only operate the Business in the Territory and not the Promotional Zone.

Third, if you fail to meet part (ii) of the Territory Performance Standard (the annual sales growth requirement) for a third consecutive 12 month period, you have the opportunity to advise us of your wish to sell the Business to a third party despite the default, but if no sale meeting the requirements of the Franchise Agreement takes place within 180 days, we have the right to terminate the Franchise Agreement immediately on sending written notice of termination from us to you. In connection with such termination, you will sign a general release and comply with all post termination obligations under this Agreement. Upon receipt of such a general release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours relating to or arising out of the Franchise Agreement (and no other agreement or franchise)

which exist as of the date of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing.

You do not have the right to sell products or services through any other channel or method of distribution (including the Internet or any other existing or future form of electronic commerce) or to any person or entity for resale or further distribution. All such rights, whether related to products and services offered under the System and Marks or otherwise, are reserved to us, as we do not have to pay to you any compensation for soliciting or accepting orders inside your Territory. You also do not have the right to subfranchise, sublicense, assign or transfer your rights under the Franchise Agreement, except for an assignment or transfer as specifically provided in the Franchise Agreement.

During the term of your Franchise Agreement, we will not establish either a company owned or franchised PIRTEK Hose Service Center within your Territory or modify your Territory without your written permission, provided that you are in complete compliance with the terms and conditions of your Franchise Agreement. We do, however, reserve the right to (i) put some limitations on Strategic Accounts that we may develop for the PIRTEK system; and (ii) develop and operate and to license others to develop and operate the PIRTEK business at any location outside your Territory. Strategic Accounts are national, regional or other accounts we believe will benefit the system as further described in the Franchise Agreement or the Operations Manuals, and Strategic Accounts may involve marketing in your Territory. If you agree to participate in servicing a Strategic Account, you must do so on the terms we specify, which terms may include, but may not be limited to, the provision of certain insurance, equipment, products and services, and the offer of services at prices not to exceed the maximum prices specified. Your failure to properly service a Strategic Account in your Territory may result in us authorizing another franchisee or us to service that Strategic Account.

We will not market the PIRTEK business within your Territory, except in the case where the marketing is part of the marketing programs described in Item 11 or is contained in a general publication (or media) with general distribution (or broadcast) within and outside the Territory. As further addressed in our current territory infringement policy, it is a violation of another PIRTEK franchisee's franchise agreement if that franchisee makes sales or service calls in your Territory without your permission or our permission as part of any Strategic Account business if you are unwilling or unable to satisfactorily service the Strategic Account, although (i) a franchisee's marketing in its territory and promotional zone may reach your Territory and Promotional Zone if contained in a general publication (or media) like a regional newspaper with general distribution (or broadcast) within his territory/promotional zone and your Territory or (ii) a franchisee or its team in limited instances may make a sales call in your Territory if the service call will be done outside your Territory. The terms and conditions applicable to Strategic Accounts will be listed in the Operations Manual or other writing.

We are not required to pay you if we exercise any of the rights specified above in the foregoing paragraphs inside your Territory.

We retain all rights that are not expressly granted to you under the Franchise Agreement. We may, without compensation to any franchisee, and without granting you any rights, establish

and/or license others to establish franchised or company-owned or affiliate-owned businesses at any location outside your Territory regardless of the proximity of such businesses to your Territory. We may also merge with, acquire or become associated with any businesses of any kind (including those in competition with PIRTEK businesses) under other systems or other marks. Such businesses may convert to or operate under the Marks and may sell products and services that are the same as the products and services offered from your business and may be located anywhere inside or outside of your Territory. We also have the right to sell for ourselves or license others to sell through franchised businesses or any other method of distribution, both inside and outside your Territory, products and services the same as the products and services offered under the System, and which are offered and distributed under marks different than the Marks.

We generally will not grant to you any options, rights of first refusal or similar rights to acquire additional franchises within any particular territory.

We may permit you to relocate the site of the Business to a different facility in the Territory if it becomes necessary for you to do so on account of condemnation, sale or otherwise, including cancellation of your lease. Although you do not have a right to do so, we may permit you to establish another PIRTEK Business, if you meet our then-current Expansion Criteria. We have the absolute right to determine whether an existing franchisee meets our Expansion Criteria, which we may modify from time to time. As of the date of this Disclosure Document, the criteria we consider are, among other factors: a franchisee’s compliance with the System, operational success, leadership ability and team development, and financial stability and ability to expand.

Item 13

TRADEMARKS

The Franchise Agreement licenses you to use the PIRTEK service mark, as well as other trademarks, service marks, trade names, trade dress and commercial symbols (collectively, the “Marks”). PFS is the owner of the PIRTEK service mark and claims common law trademark rights for all of the Marks. PFS has filed or intends to file all required affidavits and renewals of the Marks listed below. We are a master licensee of the rights to use the Marks in the United States.

Principal Trademarks	U.S. Reg. No.	Principal/ Supplemental Register	Registration Date
PIRTEK	2,201,394	Principal	November 3, 1998
PIRTEK (with design)	2,192,554	Principal	September 29, 1998
Cog (design only)	2,201,392	Principal	November 3, 1998

Appendix C to your Franchise Agreement identifies the Marks that you are licensed to use. Appendix C includes the PIRTEK service marks identified above and other Marks. We have the right to change Appendix C from time to time. Your use of the Marks and any related goodwill is to PFS' and our exclusive benefit and you retain no rights in the Marks. You retain no rights to use the Marks upon termination of the Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Marks unless we direct in writing.

There are no currently effective determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Marks. Other than the master franchise agreement between us and PFS, as described in Item 1, there are currently no agreements in effect that significantly limit the rights of us to use or license the use of any Marks in any manner material to the franchise. We know of no infringing uses that could materially affect your use of the Marks.

We signed the master franchise agreement with PFS on June 18, 1997. The master franchise agreement allows us to grant franchises and license franchisees to use the Marks in the United States, subject to the franchisees signing a franchise agreement for the Business. The master franchise agreement had an initial development term that was to expire in 2018. We and PFS extended the development term for a renewal term ending in 2039. PFS may not operate or grant master franchise rights to others to operate the PIRTEK Business in the United States, as long as we meet our obligations under the master franchise agreement. PFS may terminate the master franchise agreement if we fail to, among other things, meet our development schedule, comply with applicable legal requirements, and perform our obligations under the franchise agreements. Upon PFS's termination of the master franchise agreement, the franchise agreements may be assigned to PFS or its designee at PFS's written request as stated in Section 16.O of the Franchise Agreement you will sign. In that event, you will continue to operate under the Franchise Agreement and Marks.

PFS and we are not required to protect you against infringement or unfair competition claims arising out of your use of the Marks, or to participate in your defense or indemnify you. PFS and we reserve the right to control any litigation related to the Marks and will have the sole right to decide to pursue or settle any infringement actions related to the Marks. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware and to cooperate with any action that PFS and we undertake. If PFS or we determine that a trademark infringement action requires changes or substitutions to the Marks, you must make such changes or substitutions at your own expense.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no registered patents, copyrights or pending patent applications that are material to the franchise, although we do claim copyright ownership and protection for our PIRTEK Franchise Agreement, Operations Manual and for various sales promotional and other materials published from time to time.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the Marks of which you become aware. You may not contest our interests in patents or copyrights.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. Upon termination of the Franchise Agreement, you must return to us all proprietary information, including but not limited to the Operations Manual, and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take action, and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the Operations Manual at your cost. In the future, the changes may include making the Operations Manual available on the Internet or other on-line or computer data transfer communications.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

If you are an individual, you must directly supervise and manage your Business. If you are a corporation, partnership or other business entity, you must designate in writing to us the individual who owns at least 25% of the franchisee (the "Controlling Owner"). The Controlling Owner must actively direct your affairs relating to the PIRTEK Business and is responsible for overseeing the general management of the day-to-day operations of the PIRTEK Business. The Controlling Owner will be deemed to have authority to sign on your behalf on all contracts and commercial accounts. You also must designate an individual who personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the PIRTEK Business (the "Designated Manager"), completes our full training program to our satisfaction prior to beginning the duties of the Designated Manager, and does not participate in the active operation or management of any business other than the PIRTEK Business. Any individual owner, Controlling Owner and Designated Manager must complete our training program as noted in Item 11. A Controlling Owner may serve in the role of Designated Manager. If a different individual than the Controlling Owner, the Designated

Manager need not have an ownership interest in the franchisee entity; however, he or she may be required to sign a written agreement maintaining confidentiality of proprietary information and abiding by the noncompete covenants described in Item 17.

Each individual who owns a 10% or greater interest is an “Owner” in the franchisee entity and must sign the personal undertaking and guarantee attached to the Franchise Agreement. These people agree to discharge all obligations of the franchisee under the Franchise Agreement and are bound by all its terms and conditions, including maintaining confidentiality of proprietary information described in Item 14 and abiding by the noncompete covenants described in Item 17.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those products and services that we have approved (see Items 8 and 9). You must offer all products and services that we require. There are no limits on our right to make modifications to the approved products and services from time to time as set forth in the Operations Manual or otherwise in writing. Any failure to comply with these standards may result in termination of your Franchise Agreement (see Item 17).

You may not use your place of Business, or any MSSU used in connection with your Business, for any other purpose than the operation of your Business.

You may use only marketing and promotional materials that we have approved.

You generally are not limited in the customers to whom you may sell products and services in the Territory or any applicable Promotional Zone; however, we reserve the right to put some limitations on Strategic Accounts that we may develop for the PIRTEK system (see Item 12). In addition, there are certain limitations to marketing and selling products and services outside your Territory or any Promotional Zone.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Section 4	10 years

Provision	Section in Franchise Agreement	Summary
b. Renewal or extension of the term	Section 4	If you satisfy renewal requirements, you may renew for two 10-year renewal terms.
c. Requirements for franchisee to renew or extend	Section 4	<p>You must have complied with your Franchise Agreement and be current with all monetary obligations. You must give us notice, maintain the premises for the Business (including modernization), pay the renewal fee, sign a release and sign a then current franchise agreement.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be asked to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.</p>
d. Termination by franchisee	Section 11C	Subject to certain conditions, you may terminate the Franchise Agreement only for good cause with 30 days' advance notice of default to us and 30 days' opportunity for us to cure.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	Sections 11A-B	We can terminate only if you default.
g. "Cause" defined – curable defaults	Sections 11A-B	You have 30 days to cure non-submission of reports, non-payment of amounts due and owing, failure to abide by our standards and requirements for the Business, failure to meet our requirements and specifications regarding to products and services, territory infringement and any other default not listed in h. below (subject to state law).
		Non-curable defaults: abandonment, insolvency, unauthorized assignments or transfers, conviction of (or pleading no contest

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 11A-B	to) any felony or a misdemeanor impairing the goodwill of the Marks, violation of the conflict of interest (in-term noncompete), deception of customers regarding products, willful falsification of reports, repeated audits because of underreporting, repeated defaults within 12-month period even if cured, failure to meet your minimum annual performance target and failure to cure within 24 hours’ notice of default which materially impairs the goodwill associated with our Marks (subject to state law).
i. Franchisee’s obligations on termination/non-renewal	Sections 12.A-C	Obligations include complete de-identification of the Center and MSSUs, payment of amounts due, discontinue or assign business phone number, return of Operations Manual and proprietary information, and compliance with noncompete provisions.
j. Assignment of contract by franchisor	Sections 15 and 16	No restriction on our right to assign. Our interest in Franchise Agreement automatically transfers to PFS or its designee if we lost the master franchise rights described in Item 1. Assignee must fulfill our obligations under the Franchise Agreement.
k. “Transfer” by franchisee – defined	Sections 14A-C	Includes any transfer of your interest in the Franchise Agreement or Business.
l. Franchisor approval of transfer by franchisee	Sections 14A-C	Pirtek has the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Sections 14A-C	New franchisee or Controlling Owner qualifies, transferee not in default under the Franchise Agreement, transfer fee paid, all amounts owed by prior franchisee paid, training completed, non-compete and release agreements signed, and guarantees or new franchise agreements signed.
n. Franchisor’s right of first refusal to acquire your business	Section 14E	We can match any offer.

Provision	Section in Franchise Agreement	Summary
o. Franchisor's option to purchase your business	Section 12.B	Upon expiration or termination, we have the right, at our option, to (i) purchase Inventory Products at the actual amount that you paid less a 15% restocking fee and the cost of shipping and (ii) any equipment, fixtures, signage, furniture and other products or supplies at a price to be determined using an 8 year depreciation schedule. We also have the right to obtain an assignment of your lease.
p. Death or disability of franchisee	Section 14D	You can transfer to third party approved by us upon death, disability or incapacity of a Controlling Owner. Transfer conditions apply (see m, above) whether to a third party or to an individual or entity already holding an interest in an entity franchisee. We may temporarily operate Business until we approve a transferee.
q. Non-competition covenants during the term of the franchise	Section 10C	No direct or indirect involvement in the operation of any business selling products and services similar to those sold by your PIRTEK Business.
r. Non-competition covenants after the franchise is terminated or expires	Section 12C	No competing business for 2 years within the Territory or 15 miles of Territory or Promotional Zone or the territory or promotional zone of another PIRTEK center.
s. Modification of the agreement	Section 16B	No modifications generally, but we may change Operations Manual and list of Marks.
t. Integration/ merger clause	Section 16B	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 13A	Except for certain claims, all disputes must be mediated and arbitrated in Orlando, Florida (subject to state law).
v. Choice of forum	Section 16I	Litigation must be brought in Orlando, Florida (federal court) or Titusville, Florida, Brevard County (state court), (subject to state law).

Provision	Section in Franchise Agreement	Summary
w. Choice of law	Section 16I	Florida law applies (subject to state law).

Certain states require franchisors to make additional disclosures related to the information contained in this Disclosure Document. If applicable, these additional disclosures will be furnished to you immediately following Item 23 and in Exhibit 2 to this Disclosure Document.

Item 18

PUBLIC FIGURES

We do not use any public figure to promote the franchise. No public figure is involved in the actual management or control of us.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

Reports on Gross Sales for the Period January 1, 2019 to December 31, 2019

The sales figures listed below include average and median Gross Sales derived from historical operating results of the franchised businesses indicated for the time periods covered. We obtained these sales figures from information provided to us by our franchisees for the period from January 1, 2019 through December 31, 2019 (the “Reporting Period”). Neither we nor our independent certified public accountants have audited or verified any of the sales figures reported to us. Franchisees are not required to use generally accepted accounting principles when reporting these figures.

On December 31, 2019, there were 89 PIRTEK Centers open and 78 were in continuous operation during the entire calendar year. The information set forth below is based on the average yearly gross sales and median sales for those 78 PIRTEK Centers for 2019 (the “2019 Full Year Operational Centers”). The information provided in this Item 19 does not include data from 11 franchised businesses that opened during the year 2019 and therefore were not in operation for the entire Reporting Period.

Of the 78 PIRTEK Centers open and in continuous operation as of December 31, 2019, 66 were Tier 1 Centers and 12 were Tier 2 Centers (as described in Item 1).

The following tables refer to “Gross Sales.” “Gross Sales” includes cash and credit sales as well as any goods or services received by the franchisee in exchange for goods and services sold at the PIRTEK Center. “Gross Sales” does not include sales or use taxes.

We encourage you to carefully review this material with your attorney, business advisor and/or accountant.

TABLE 1
Gross Sales
Centers Operating for the Entire 2019 Calendar Year

Table 1 provides Gross Sales for all 2019 Full Year Operational Centers, with a separate breakdown for Tier 1 Centers and Tier 2 Centers.

Type of Center	Number of Centers	Average Gross Sales	# and % of Centers that met or exceeded the average (Note 1)	Median Gross Sales
All Centers	78	\$1,120,681	39 50%	\$917,316
Tier 1 Centers	66	\$1,207,185	38 58%	\$1,195,644
Tier 2 Centers	12	\$652,122	1 8%	\$612,243

The highest and lowest reported Gross Sales for the 78 2019 Full Year Operational Centers included in the average were \$2,304,242 and \$180,319, respectively. The highest and lowest reported Gross Sales for the 66 Tier 1 PIRTEK Centers included in the average were \$2,304,242 and \$223,616, respectively. The highest and lowest reported Gross Sales for the 12 Tier 2 PIRTEK Centers included in the average were \$1,276,770 and \$180,319 respectively.

TABLE 2
Gross Sales by “Time Period”
for the Entire 2019 Calendar Year

# of Full Calendar Years	Average Gross Sales	High	Low	Median	Number & % Above Average	Number & % Below Average

5+	\$1,328,478	\$2,304,242	\$462,664	\$1,162,598	20 / 49%	23 / 51%
3-4	\$992,451	\$1,691,417	\$519,213	\$1,011,189	10 / 59%	7 / 41%
1-2	\$701,625	\$1,421,679	\$180,319	\$839,687	7 / 39%	11 / 61%

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

Written substantiation for these financial performance representations will be made available to a prospective franchisee upon reasonable request.

Except for the information that appears in this Item 19, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Kim H. Gubera, Chief Executive Officer, Pirtek USA, LLC, 300 Gus Hipp Boulevard, Rockledge, Florida 32955, (321) 701-3330, the Federal Trade Commission and any appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
Systemwide Outlet Summary
For Years 2017 to 2019***

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2017	57	69	+12
	2018	69	74	+5
	2019	74	89	+15
Company-Owned	2017	4	4	0
	2018	4	4	0
	2019	4	0	-4
Total Outlets	2017	61	73	+12
	2018	73	78	+5
	2019	78	89	+11

* All numbers are as of December 31, 2019, 2018, and 2017. The numbers are for PIRTEK franchisees and corporate locations in the United States and include Tier 1 and Tier 2 franchisees.

Table No. 2
Transfers of Outlets From Franchisees to New Owners
(Other than the Franchisor)
For Years 2017 to 2019*

State	Year	Number of Transfers
Arizona	2017	0
	2018	0
	2019	1
Florida	2017	1
	2018	0
	2019	1
Illinois	2017	1
	2018	0
	2019	0
Missouri	2017	0
	2018	0
	2019	1
North Dakota	2017	0
	2018	0
	2019	1
Pennsylvania	2017	0
	2018	0
	2019	1
Texas	2017	1
	2018	0
	2019	0
Total	2017	3
	2018	0
	2019	5

* All numbers are as of December 31, 2019, 2018, and 2017. The numbers are for PIRTEK franchisees in the United States. States not listed had no transfer activity to report during the relevant time period.

Table No. 3
Status of Franchised Outlets For
Years 2017 to 2019*

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
Arizona	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
California	2017	4	2	0	0	0	0	6
	2018	6	0	0	0	0	0	6
	2019	6	2	0	0	0	0	8
Colorado	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Florida	2017	9	4	0	0	0	0	13
	2018	13	0	0	0	1	0	12
	2019	12	4	0	0	0	0	16
Georgia	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2019	4	1	0	0	0	0	5
Illinois	2017	3	1	0	0	0	0	4
	2018	4	1**	0	0	0	0	5
	2019	5	1	0	0	0	0	6
Indiana	2017	1	0	0	0	0	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Louisiana	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Maryland	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Massachusetts	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Michigan	2017	4	1	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
Minnesota	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Missouri	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	1	0	0	0	0	3
New Jersey	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
New York	2017	0	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
North Carolina	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
North Dakota	2017	1	0	0	0	0	1***	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
Ohio	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Pennsylvania	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
South Carolina	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Tennessee	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Texas	2017	6	1	0	0	0	0	7
	2018	7	1**	0	0	0	0	8
	2019	8	2	0	0	0	0	10
Utah	2017	0	1	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
Virginia	2017	2	0	0	0	1	0	1
	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
Washington	2017	2	1	0	0	0	0	3
	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
Wisconsin	2017	1	1	0	0	0	0	2
	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Total	2017	57	14	0	0	1	1	69
	2018	69	6	0	0	1	0	74
	2019	74	15	0	0	0	0	89

* All numbers are as of December 31, 2019, 2018, and 2017. The numbers are for PIRTEK franchisees in the United States. If multiple events occurred affecting an outlet, this table shows the event that occurred last in time. States not listed had no franchised activity to report during the relevant time period.

** For franchises that opened in 2017, one franchise in California, four in Florida, one in Michigan, one in South Carolina, one in Texas, one in Washington and one in Wisconsin opened as a Tier 2 franchise. The Tier 2 in Michigan converted to a Tier 1 in 2017. For franchisees that opened in 2018, one franchise in Georgia, one in Illinois and one in Texas opened as a Tier 2 franchise. For franchisees that opened in 2019, one franchise in Alabama, one in Florida, one in Georgia, one in Illinois, one in Missouri, one in New York, one in Tennessee, and one in Texas opened as a Tier 2 franchise.

***Due to unique and various factors, our franchisee in North Dakota has temporarily ceased operations, although this franchise agreement remains in place.

Table No. 4

**Status of Company-Owned Outlets For
Years 2017 to 2019⁽¹⁾**

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2017	1	0	0	0	1	0
	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
California (2)	2017	2	0	0	0	0	2
	2018	2	0	0	0	0	2
	2019	2	0	0	0	2	0
Florida (3)	2017	0	0	0	0	0	0
	2018	0	1	1	0	0	2
	2019	2	0	0	0	2	0
Tennessee (4)	2017	1	0	0	0	0	1
	2018	1	0	0	0	1	0
	2019	0	0	0	0	0	0
Virginia (5)	2017	0	0	1	0	0	1
	2018	1	0	0	0	1	0
	2019	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Total	2017	4	0	1	0	1	4
	2018	4	1	1	0	2	4
	2019	4	0	0	0	4	0

- (1) All numbers are as of December 31, 2019, 2018, and 2017.
- (2) As of December 31, 2018, our affiliate and subsidiary, Eeyore Hose LLC, (“EHL”), operated a PIRTEK Service and Supply Center in Commerce, CA at 7250 Bandini Blvd., #101 and our affiliate and subsidiary, Herewego LLC (“HWG”) operated a PIRTEK Hose Service and Supply Center in Ontario, CA at 909 S. Cucamongo Avenue, #101. We sold both of those centers to an existing franchisee as of February 1, 2019.
- (3) As of December 31, 2018, our affiliate and subsidiary, Hydraulic Hose of Tampa LLC (“HHT”), operated a PIRTEK Service and Supply Center in Tampa, FL at 1502 North 34th Street, and a Tier 2 mobile unit in the Clearwater/Pinellas, FL area. We sold both of those businesses to an existing franchisee in January 2019.
- (4) Our former affiliate and subsidiary, WPLJR, LLC, operates a PIRTEK Service and Supply Center in Nashville, TN, at 1330 Foster Ave., #100. WPLJR, LLC was sold to Matthew Mejia in 2018.
- (5) Our former affiliate and subsidiary, Hydraulic Hose of Norfolk LLC, operates a PIRTEK Service and Supply Center in Virginia Beach, VA, at 5760 Northampton Blvd., Ste 104. Hydraulic Hose of Norfolk LLC was sold to Jeffrey Ohstrom in 2018.

Table No. 5

Projected Openings as of December 31, 2019 for Tier 1 and Tier 2 Franchises

State	Franchise Agreements Signed But Business Not Open	Projected New Franchised Business In Next Fiscal Year	Projected Company Owned Businesses In Next Fiscal Year
California	0	1	0
Georgia	1	1	0
Maryland	1	1	0
Michigan	0	1	0
Missouri	0	1	0
Nevada	0	1	0
North Carolina	0	1	0
Oklahoma	0	1	0
Texas	1	3	0
TOTALS	3	11	0

* States not listed have no data to report for the relevant time period.

Exhibit 4 lists the names of all of our operating franchisees and the addresses and telephone numbers of their Businesses as of December 31, 2019. Exhibit 4 also lists the franchisees who have signed Franchise Agreements for Businesses which were not yet operational as of December 31, 2019. Finally, Exhibit 4 lists the name, city and state, and business telephone number (or, if unknown, the last known home

telephone number) of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the effective date of the Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Franchisees have signed confidentiality clauses during the last three fiscal years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Pirtek USA, LLC. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

As noted in Item 11, the Pirtek Franchisee Advisory Council (“FAC”) includes 4 elected franchisee members and 2 appointed franchisee members and meets periodically with corporate representatives to discuss various franchise issues. We both created and sponsor the FAC, and contact information for the FAC is the same as our contact information. The following independent franchisee organization has asked to be included in this Disclosure Document: Fluid Power Franchisee Association, 2161 University Avenue, Suite D, St. Paul, Minnesota 55114; telephone (847) 636-3307; email at info@fpfa.us; website at www.fpfa.us.

Item 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit 3 are the following: audited balance sheets as of the years ended December 31, 2019, 2018 and 2017, and the related statements of income, changes in members’ equity and cash flows for the years ending December 31, 2019, 2018 and 2017, together with the report of independent certified public accountants, together with the report of independent certified public accountants.

Item 22

CONTRACTS

Exhibit 2 to this Disclosure Document is a sample of the PIRTEK Franchise Agreement with Appendices A (Franchised Location, Territory, Promotional Zone), B (Ownership and Management Addendum), C (Marks), D (Addendum to Lease), E (Computer Software License Agreement), F (Draft Authorization), G (Assignment of Telephone Numbers), and H (Assignment of Domain Name and E-Mail Address)

Exhibit 5 to this Disclosure Document is the Form Confidentiality Agreement.

Exhibit 6 to this Disclosure Document is the Form of Renewal Addendum if you are renewing your franchise and signing the then current Franchise Agreement with the Renewal Addendum.

Exhibit 7 to this Disclosure Document is the Form of SBA Addendum if you are obtaining SBA financing.

Exhibit 8 to this Disclosure Document is the Form of General Release Agreement.

Exhibit 10 to this Disclosure Document is the Form of Financing Documents.

As a prospective franchisee, you should obtain independent legal and financial advice concerning the PIRTEK franchise offering as you deem appropriate before making any commitment.

Item 23

RECEIPTS

Exhibit 12 to this Disclosure Document is a detachable acknowledgment of receipt. Please promptly sign and return one copy of the receipt to us.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

The following information applies to franchises and franchisees subject to the California Franchise Investment Act. Item numbers correspond to those in the main body:

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

2. Item 3.

Item 3 is amended to provide that neither us nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

3. Item 5.

Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

4. Items 6 and 17.

The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

5. Item 17.

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

6. Item 17.

Termination of the Franchise Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

7. Item 17.

The Franchise Agreement requires you to sign a general release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

8. Item 17.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

9. Item 17.

The Franchise Agreement requires binding arbitration. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

10. Other.

Certain provisions in the Franchise Agreement (Section 13.D pertaining to a one year contractual statute of limitation for bringing claims, Section 16.J pertaining to a waiver of jury trial, and Section 16.K pertaining to a waiver of punitive damages) may not be enforceable under California law.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to the Illinois Franchise Disclosure Act of 1987. Item numbers correspond to those in the main body.

1. Item 5.

With respect to the Initial Franchise Fee, we shall defer the payment of the initial franchise fee and other initial payments owed to us, or our affiliate, by you until such time as all initial obligations owed to you under the Franchise Agreement or other agreements have been fulfilled by us and you have commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General has imposed this deferral requirement upon the payment of the Initial Franchise Fee, pursuant to Section 200.508 of the Illinois Franchise Disclosure Act.

2. Item 6.

With respect to certain Inventory Products, we may require you to hold specified levels of inventory at your Business. The cost to maintain the specified level of inventory will vary under the circumstances and must be paid when invoiced. As noted in Items 7 and 8, the Inventory Products must be purchased from us. See Item 8 for more information on Inventory Products.

2. Item 17.

For Illinois franchisees, Illinois law governs the Franchise Agreement. The conditions under which the franchise can be terminated and rights upon nonrenewal may be affected by Illinois law. Any provision in a Franchise Agreement that designates jurisdiction or venue in a forum outside of Illinois is void. Currently, an Illinois franchisee could not have a territory that encompasses part of Illinois and another state. Accordingly, Illinois law would apply for any Territory located in Illinois.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

The following information applies to franchises and franchisees subject to Maryland statutes and regulations. Item numbers correspond to those in the main body:

1. Item 5.

The Maryland Securities Commissioner has required a financial assurance. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Franchise Agreement.

2. Item 8.

Item 8 is supplemented by the following disclosure:

“We are the sole supplier of the following products and services necessary for the operation of your Business: (a) Shop Set-Up Services; (b) Computer System (including proprietary and other software, modem, printer/printer accessories) and Computer Connection Services; (c) Signs and Equipment that contain the PIRTEK marks (including uniforms, branded equipment necessary to outfit the MSSUs, printed forms and stationary, promotional items such as caps), and (d) opening and ongoing Inventory requirements (including hydraulic, industrial and specialist hoses; hose fittings, adapters, and accessories). You will pay the then-current price in effect at the time for all products and services you purchase from us and our affiliates. In some cases (and as noted in Item 8), the cost of Inventory and the other products and services referenced above may be higher than the prevailing market price of similar products and services on the market. In other cases, such as with respect to our PIRTEK-branded equipment and materials, we are unable to determine the prevailing market rate as no third-party currently is authorized to distribute our branded equipment and materials.

If we are no longer able to provide you with the above-listed products and services, we will endeavor to provide such products and services through one or more alternate suppliers at comparable cost.”

3. Item 17.

The Franchise Agreement provides for termination if you are insolvent under any applicable state or federal law. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

4. Item 17.

Any claims under the Maryland Franchise and Disclosure law may be brought in the state of Maryland.

5. Item 17.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Item 17.

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

1. Items 5 and 7.

Collection of all initial fees and payments owed to Franchisor or an affiliate will be deferred until such time as the Franchisor completes its initial obligations and you commence business operations.

2. Item 13.

We will undertake the defense of any claim of infringement by third parties involving the PIRTEK Trademark. You must cooperate with the defense in any reasonable manner prescribed by us with any direct costs of such cooperation to be borne by us.

3. Item 17.

Nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Any claims arising under the Minnesota Statutes, Chapter 80C (including Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J) may be brought in the state of Minnesota.

4. Item 17.

Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this Disclosure Document, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT 1 OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise,

securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

Sections of the Disclosure Document requiring that you sign a general release, estoppel or waiver as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

The Franchise Agreement, Non-Disclosure and Non-Competition Agreement, contain a covenant not to compete which may not be enforceable under North Dakota law.

Sections of the Disclosure Document requiring resolution of disputes to be outside of the state of North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document requiring you to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any provision requiring Franchisee to agree to the mediation or arbitration of disputes at a location that is remote from the site of Franchisee's business is not enforceable.

All initial fees and payments shall be deferred until all initial obligations owed to franchisee under the Franchise Agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the Franchise Agreement.

Item 17(i) is amended to include the following statement: The Commissioner has determined that franchise agreements which provide a provision that requires consent to termination or liquidated damages is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and will be unenforceable.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF VIRGINIA

1. The following applies to franchises and franchisees subject to Virginia statutes and regulations. Item numbers correspond to those in the main body.

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et seq.).

2. Item 5 is revised to include the following statement:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.”

3. Item 17.h is revised to provide as follows:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement do not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF WASHINGTON

Pursuant to a requirement by the Securities Division, the collection of all initial fees and payments will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable by a franchisor against an employee of a franchisee unless the employee's earnings from the party seeking enforcement, when annualized, exceed one hundred thousand dollars per year (an amount that will be adjusted annually for inflation). Pursuant to RCW 49.62.030, a noncompetition covenant is void and unenforceable by a franchisor against an independent contractor of a franchisee unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed two hundred fifty thousand dollars per year (an amount that will be adjusted annually for inflation). As a result, the franchisor will not require a franchisee to have its employees and independent contractors sign any agreement that contains noncompetition covenants that would violate RCW 49.62.020 by binding an employee of franchisee making less than one hundred thousand dollars per year (an amount that will be adjusted annually for inflation) or an independent contractor of franchisee making less than two

hundred fifty thousand dollars per year on an annual basis (an amount that will be adjusted annually for inflation).

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, the franchisor will not require a franchisee to sign any non-solicitation agreement that would violate RCW 49.62.060 by restricting, restraining or prohibiting the franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor.

ASSURANCE OF DISCONTINUANCE STATE OF WASHINGTON

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance (“AOD”) with the State of Washington, where we affirmed that we already removed from our form franchise agreement a provision which restricted a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violated Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to not include any such provisions in future franchise agreements, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

ADDENDUM TO PIRTEK® DISCLOSURE DOCUMENT
FOR THE STATE OF WISCONSIN

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership law. Item numbers correspond to those in the main body:

1. Item 17.

For all franchises sold in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. Item 17.

For Wisconsin franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

EXHIBIT 1

List of State Administrators and Agent for Service of Process

CALIFORNIA

California Commissioner of Business Oversight
Department of Business Oversight
1515 K Street, Suite 200
Sacramento, California 95814-4052

ILLINOIS

Attorney General State of Illinois
500 South Second Street
Springfield, Illinois 62706

INDIANA

Agent to Receive Process
Indiana Secretary of State
201 State House
200 W. Washington Street
Indianapolis, Indiana 46204

State Administrator

Indiana Securities Commissioner
302 W. Washington, Room E-111
Indianapolis, Indiana 46204

MARYLAND

Agent to Receive Process
Securities Commissioner
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202

State Administrator

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
Attention: Franchise Section
G. Mennen Williams Building, First Floor
525 West Ottawa Street
Lansing, MI 48933

MINNESOTA

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101

NEW YORK

Agent to Receive Process
Attention: New York Secretary of State
New York Department of State
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231-0001

State Administrator

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, NY 10005

NORTH DAKOTA

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol-5th Floor
Bismarck, ND 58505-0510

RHODE ISLAND

Rhode Island Department of Business Regulation
Securities Division
John O. Pastore Complex – Building 69-1
1511 Pontiac Avenue
Cranston, RI 02920

VIRGINIA

Agent to Receive Process
Clerk of the State Corporation Commission
1300 E. Main Street, First Floor
Richmond, VA 23219

State Administrator

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, Ninth Floor
Richmond, VA 23219

WASHINGTON

Department of Financial Institutions
Securities Division
150 Israel Rd S.W.
Tumwater, WA 98501

WISCONSIN

Department of Financial Institutions
Division of Securities
201 W. Washington Avenue, Suite 300
Madison, WI 53703



EXHIBIT 2

Franchise Agreement with Acknowledgment Addendum, State Specific Addenda to Franchise Agreement and Appendices A (Franchised Location, Territory, Promotional Zone), B (Ownership and Management Addendum), C (Marks), D (Addendum to Lease), E (Computer Software License Agreement), F (Draft Authorization), G (Assignment of Telephone Numbers), and H (Assignment of Domain Name and E-Mail Address)



FRANCHISE AGREEMENT

BETWEEN

PIRTEK USA LLC
300 Gus Hipp Boulevard
Rockledge, Florida 32955
(321) 701-3330

AND

Name of Franchisee

Street

City State Zip Code

()

Area Code Telephone

FRANCHISED LOCATION:

Street

City State Zip Code

()

Area Code Telephone

CONFIDENTIAL
© 2020 PIRTEK USA LLC



PIRTEK USA LLC

FRANCHISE AGREEMENT

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
<u>DEFINITIONS</u>	1
<u>GRANT OF LICENSE</u>	3
<u>TRADEMARK STANDARDS AND REQUIREMENTS</u>	6
<u>TERM OF FRANCHISE; FRANCHISEE’S RIGHT TO RENEW</u>	7
<u>PREMISES STANDARDS AND MAINTENANCE</u>	8
<u>OPERATIONS STANDARDS AND REQUIREMENTS</u>	10
<u>SUPERVISION AND TRAINING STANDARDS</u>	17
<u>FEES, REPORTING AND AUDIT RIGHTS</u>	18
<u>MARKETING FEES AND CONTROLS</u>	20
<u>FRANCHISEE’S OTHER OBLIGATIONS</u>	21
<u>DEFAULT AND TERMINATION</u>	23
<u>POST-TERM OBLIGATIONS</u>	25
<u>DISPUTE RESOLUTION; INJUNCTIVE RELIEF</u>	27
<u>ASSIGNMENT BY FRANCHISEE</u>	28
<u>ASSIGNMENT BY FRANCHISOR</u>	33
<u>GENERAL PROVISIONS</u>	33

APPENDICES

- A Franchised Location, Territory, Promotional Zone
- B Ownership and Management Addendum
- C Marks
- D Addendum to Lease
- E Computer Software License Agreement
- F Draft Authorization
- G Assignment of Telephone Numbers
- H Assignment of Domain Name and E-Mail Address
Acknowledgement Addendum to Pirtek® Franchise Agreement

FRANCHISE AGREEMENT

This Agreement is made this _____ day of _____, 20____ between Pirtek USA LLC, a Delaware limited liability company (“we” or “us”), and _____, a(n) _____ (“you” or “Franchisee”).

RECITALS

A. Pirtek Fluid Systems Pty. Ltd., an Australian company incorporated in New South Wales (“PFS”), has expended considerable time, effort, skill and financial resources in developing an image, technique and business system for the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components and other products and services utilizing certain standards and specifications, and sales and business techniques and image (herein referred to as the “System,” as defined below) throughout the world.

B. PFS is the owner of the Pirtek[®] service mark and other trademarks or commercial symbols used in connection with the System (herein referred to as the “Marks”).

C. We are the master franchisee of PFS in the United States and are authorized to enter into franchise agreements pursuant to the Master Franchise Agreement dated June 18, 1997, by and between PFS and us (“Master Franchise Agreement”).

D. Our rights include the right to license others to use certain of the Marks and the System in accordance with the terms of the Master Franchise Agreement.

E. You wish to obtain the right to use the Marks and the System in the operation of a PIRTEK Hose Service Business, subject to the terms and conditions of this Agreement.

In consideration of the foregoing and the covenants and consideration herein set forth, it is agreed by and between you and us as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms set forth below have the following definitions:

A. “Business” means your PIRTEK Business developed and operated pursuant to this Agreement. The Business includes all business that you conduct from your PIRTEK Hose Service Center, its MSS Units, or otherwise in the Territory (and any Promotional Zone) or under or associated with the Marks.

B. “Controlling Owner” means the individual who actively directs your affairs relating to the PIRTEK Business and is responsible for overseeing the general management of the day-to-day operations of the PIRTEK Business. If the Franchisee is one individual, such individual is the Controlling Owner. If an entity Franchisee, the Controlling Owner must be an individual and directly own at least a 25% interest in the

entity. The Controlling Owner will be deemed to have authority to sign on your behalf on all contracts and commercial accounts. You must identify the Controlling Owner on the Ownership and Management Addendum attached to this agreement and must notify us in writing of any change to the Controlling Owner.

C. “Customer” means any person or entity (1) included on any marketing or customer lists you develop or use, including any such lists provided by us to you; (2) who has purchased or purchases products or services from you during the term (even if you have solicited the person and/or established a relationship independent of us and without our assistance) or whom you have solicited to purchase any products or services; (3) for whom you provide products or services on our behalf or at our direction; and (4) if any of the foregoing is an entity, all employees of such entity.

D. “Customer Information” means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any Customer, including any information deemed “personal information” under applicable law.

E. “Designated Manager” means an individual who personally invests his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of the PIRTEK Business, completes our full training program to our satisfaction prior to beginning the duties of the Designated Manager, and does not participate in the active operation or management of any business other than the PIRTEK Business.

F. “Franchised Location” means the actual physical location of your PIRTEK Hose Service Center within the Territory, as further described in Section 2 and Appendix A.

G. “Gross Sales” means the total revenues and receipts from the sale of all products, services or benefits sold, provided or disposed of to your customers whether for cash, credit, charge account, check, exchange or other valuable consideration (whether or not you have received payment therefor), whether such orders for products or services originated from or were accepted at or from your PIRTEK Service Center, the customer’s place of business or at any other place and including any sales by any related persons or companies that were from the PIRTEK Service Center or deemed to be sales of the Business. “Gross Sales” is net of any applicable sales tax and any sales credits, including the sales price of any products returned by customers where cash or allowances have been refunded or made to the customer.

H. “Marks” means the PIRTEK service mark, which has been registered with the United States Patent and Trademark Office, the other trademarks, service marks, and trade names set forth on Appendix C, as we may modify and change from time to time, and the trade dress and other commercial symbols used in the Business. Trade dress includes the designs, color schemes and image we authorize you to use in the operation of the Business from time to time.

I. “MSSUs” or “MSS Units” means the PIRTEK vans or mobile sales and service units that service your customers in the Territory. “MSSTs” or “MSS Technicians” means the persons who are trained and authorized to operate the MSSUs.

J. “Owner” means any person or entity who directly or indirectly owns the franchise rights. An Owner includes each shareholder, member, or owner of a corporation, limited liability company or other entity, each general partner of a partnership and, if a general partner is an entity, each owner of an interest in the general partner. If the Licensee is one individual, such individual is the sole Owner. The Owners are identified on the Ownership and Management Addendum attached to this agreement. Each Owner who owns directly or indirectly 10% or more of an entity Franchisee must sign a personal guarantee.

K. “PIRTEK Hose Service Center” or “PIRTEK Service Center” or “Center” means the hose service center operated under the PIRTEK name at the Franchised Location defined in Appendix A.

L. “System” means the PIRTEK System that consists of the operation of a PIRTEK hose service business specializing in the sale, custom assembly and installation of industrial and hydraulic hoses, fixed tube assemblies, fittings and related components, and includes proprietary rights in certain valuable marks, logos, business names, trade names, using distinctive products and services under the Marks and utilizing the specific image including names, marks, uniform product ranges, specified designs and color schemes for the business premises, signs, layouts, fixtures and fittings and uniforms.

M. “Territory” means the geographic area described in Section 2 and Appendix A, from which you conduct your Business.

GRANT OF LICENSE

2. We hereby grant to you, subject to the terms and conditions of this Agreement, the right and license to engage in and conduct a PIRTEK Business identified by the Marks that we authorize for your use hereunder (or such other marks as may be directed by us) at the Franchised Location and for the Territory as defined in Appendix A.

You hereby accept said license and undertake the obligation to operate your Business faithfully, honestly and diligently, using the System in compliance with our standards and requirements. You agree that you must maintain and operate your Business under your active and continuous supervision and management.

The license granted herein is limited to the right to operate your Business only within the Territory and may not be used elsewhere or at any other location by you, except as we set forth in the Manual (as defined in Section 6.C). You do not have the right to sell products or services in the territory or promotional zone granted to another franchisee or corporate or affiliate operated center (also known as “territory infringement”) or through any other channel or method of distribution (including the Internet or any other existing or future form of electronic commerce) or to any person or entity for resale or further distribution. The penalty for territory infringement will be determined as set forth in our then-current territory infringement policy.

You also do not have the right to subfranchise, sublicense, assign or transfer your rights under this Agreement, except for an assignment or transfer as specifically provided in this Agreement. During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, including the Territory Performance Standards (as described below), we will not (i) modify the Territory without your written permission, or (ii) establish either a company-owned or franchised PIRTEK Hose Service Center within the Territory, although we or another franchisee may from time to time service particular customers in the Territory in the event you are unable or unwilling for whatever reason to meet the service needs of those customers, including any Strategic Account customers as set forth in the Franchise Agreement or Manual.

Territory Performance Standards

Beginning January 1, 2020, the “Territory Performance Standards” will include each of the following components: (i) a minimum number of MSSU’s that you will be required to operate in the Territory, as we reasonably deem necessary in accordance with Section 5.F of the Franchise Agreement after meeting with you at a location we designate to discuss the overall performance of your Business (you and we agree that we can adjust the minimum number of MSSU’s during the term of the Agreement); and (ii) an annual sales growth of 3%-3½% for your Business on a year to year basis, although that sales growth requirement will not be used as a Territory Performance Standard for any year that 80% of our then-current Tier 1 centers in operation more than 12 months and for the full 12 month period do not achieve the annual sales growth requirement. We will designate the specific percentage between 3% and 3½% each year, with the percentage to remain unchanged from the prior year unless we notify franchisees in writing prior to December 1. For 2020, the annual sales growth percentage is 3%. We will measure the annual sales growth based on your Gross Sales for each 12 month calendar period (January 1-December 31).

If you do not meet the Territory Performance Standards, you will be subject to the Correction Process outlined below (and the Promotional Zone take away option, sale of your Business option or termination as described below, if so elected by us). If you are a multi-territory operator with multiple franchise agreements, the Territory Performance Standards will apply separately for each of your territories and franchise agreements.

Correction Process

If you do not meet part (i) of the Territory Performance Standard due to your failure to operate the minimum number of MSSU’s in accordance with Section 5.F, we will provide you with a 30 day period to take the necessary steps to meet the MSSU’s requirement. Failure to take those steps within the 30 day period will be a default and may result in a notice of default under the Franchise Agreement.

If you do not meet part (ii) of the Territory Performance Standard (the annual sales growth requirement), subject to the 80% exception noted above, we may implement the following correction process.

First, we will notify you of your failure to meet the annual sales growth Territory Performance Standard, and we will actively work with you to (a) identify the reasons for such substandard performance, and (b) suggest ways for you to meet the annual sales growth Territory Performance Standard.

Second, at the end of the next 12 month measurement period, you will be reevaluated for compliance with the annual sales growth Territory Performance Standard, and if your Gross Sales for that year are below the year to year annual sales growth requirement for that year (between 3%-3½% as noted above), which means you have failed to meet part (ii) of the Territory Performance Standard for two consecutive years, we have the right to take away your Promotional Zone, without any additional steps or cure period, at which time you can only operate the Business in the Territory and not the Promotional Zone.

Third, if you fail to meet part (ii) of the Territory Performance Standard (the annual sales growth requirement) for a third consecutive 12 month period, you have the opportunity to advise us of your wish to sell the Business to a third party despite the default, but if no sale meeting the requirements of the Franchise Agreement takes place within 180 days, we have the right to terminate the Franchise Agreement immediately on sending written notice of termination from us to you. In connection with such termination, you will sign a general release and comply with all post termination obligations under this Agreement. Upon receipt of such a general release, we will sign a release of any and all claims of ours against you and/or any affiliate/ owner of yours relating to or arising out of the Franchise Agreement (and no other agreement or franchise) which exist as of the date of the release and are known by us; except that any such claims will be preserved by us if we disclose them to you in writing.

We reserve the right to make reasonable revisions to elements of the Territory Performance Standards through changes in the Manuals or otherwise, upon six months written advance notice to you.

We retain all rights that are not expressly granted to you under this Agreement. Further, we may, among other things, on any terms and conditions we deem advisable, without compensation to any franchisee, and without granting you any rights therein:

(i) establish and/or license others to establish franchised or company-owned or affiliate-owned businesses at any location outside your Territory regardless of the proximity of such businesses to your Territory;

(ii) merge with, acquire or become associated with (“Merger/Acquisition Activity”) any businesses of any kind (including those in competition with PIRTEK businesses) under other systems and/or marks, which businesses may convert to or operate under the Marks and may offer or sell products and services that are the same as or similar to the products and services offered at or from your business, and which may be located anywhere inside or outside of your Territory; and

(iii) sell and distribute for ourselves and/or license others to sell and distribute through franchised businesses or any other method of distribution, both inside and outside your Territory products and services the same as or different from the products and services offered under the System, and which are offered and distributed under marks different than the Marks.

TRADEMARK STANDARDS AND REQUIREMENTS

3. You hereby acknowledge and agree that the Marks are the property of PFS and that your right to use the Marks is specifically conditioned upon the following terms and conditions.

A. Mark Ownership. We are the licensee of the right to use the Marks in the United States. The Marks are valuable property owned by PFS, and PFS is the exclusive owner of all right, title and interest in and to the Marks. Your use of the Marks inures to the benefit of PFS and us. You disclaim all rights, title and interest in or to the Marks and any goodwill associated with the Marks. You must not, during or after the term of this Agreement, engage in any conduct directly or indirectly that would infringe upon, harm or contest the rights of PFS or us in any of the Marks or the goodwill associated with the Marks, including any use of the Marks in a derogatory, negative or other inappropriate manner in any media, including but not limited to print or electronic media.

B. Mark Use. You may not use, or permit the use of, any trademarks, trade names or service marks in connection with your Business, except those set forth in Appendix C or except as otherwise directed in writing by us. You may use the Marks only in connection with products and services as may be specified by us and only in the form and manner prescribed by us in writing. You must comply with all trademark, trade name and service mark notice marking requirements. You may use the Marks only in association with products and services approved by us and that meet our standards or requirements with respect to quality and production, sales techniques, installation procedures, service standards and method of operation. The use of any additional words with any of the Marks must have our prior written consent. You must implement and abide by our requirements and recommendations directed to enhancing substantial System uniformity in the matters described in this Section.

C. Business Identification. You may not use the word PIRTEK or any of the other Marks as part of your name for your legal entity. You must use the PIRTEK name as a d/b/a for the trade name of the Business as designated by us in Appendix A and no other mark or words. You must hold yourself out to the public as an independent contractor operating the Business pursuant to a license from us. In addition, you may be required to post a sign in the Center identifying you as a PIRTEK franchisee in a format reasonably acceptable to us. You must clearly indicate on your business checks, stationery, purchase orders, receipts, and other written materials that you are the independent owner of the Business and a PIRTEK franchisee. You may use the Marks on various materials, such as business cards, stationery, purchase orders and checks, provided you (i) accurately depict the Marks on the materials, (ii) include a statement on the materials indicating that your Business is independently owned and operated by you,

and (iii) do not use the Marks in connection with any other trademarks, trade names or service marks unless specifically approved by us in writing prior to such use.

D. Litigation. In the event any person or entity improperly uses or infringes the Marks, PFS and/or we will control all litigation and will be the sole judge as to whether suit is instituted, prosecuted or settled, the terms of settlement, and whether any other action is taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Mark and must cooperate with any action undertaken by PFS and/or us in respect thereof. We have no obligation to defend or indemnify you if the claim, suit or demand against you arises out of or relates to your use of the Marks.

E. Changes. You may not make any changes or substitutions whatsoever in or to the use of the Marks unless directed by PFS or us in writing. We reserve the right to change the Marks at any time. Upon receiving written notice from us, you must, at your expense, immediately make such changes and use such substitutions to the Marks as PFS or we may require.

TERM OF FRANCHISE; FRANCHISEE'S RIGHT TO RENEW

4. The term of the license granted in this Agreement is for a period of 10 years from the date of this Agreement. You have the right to renew your license for two additional 10-year terms, provided that as to each renewal the following conditions have been met:

(i) You must give written notice to us not less than 3 but no more than 6 months prior to the end of the initial 10-year term of your intent to renew the license. You must execute the then-current form of franchise agreement and all other agreements, legal instruments and documents then customarily used by us in the renewal of franchises (the form of franchise agreement will be modified to reflect that the agreement is for a renewal term and, if applicable, will provide for the second 10-year renewal term upon satisfaction of the renewal conditions).

These agreements, legal instruments and documents may vary materially from those agreements, legal instruments and documents currently in use by us, although the Territory will remain as defined in this Agreement. There will not be another initial franchise fee charged for renewal of the license; however, you must pay us a renewal fee in the amount of \$2,500, adjusted annually in accordance with any annual change in the National Consumer Price Index, as that change is described in Section 16.M. Your failure or refusal to execute the agreements, instruments and documents within 30 days after their delivery to you will be deemed an election by you not to renew the license.

(ii) During the term of this Agreement, you have complied with all of the terms and conditions of this Agreement and have complied with our operating and quality standards and requirements.

(iii) All monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise, have

been satisfied prior to renewal, and have been paid in a timely manner throughout the term of this Agreement.

(iv) You are able to maintain possession of the premises or obtain possession of mutually agreeable alternative premises for your Business for the duration of the renewal term and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Business so that it will conform to our then-current standards for PIRTEK Hose Service Centers.

(v) You, your Controlling Owner and your Personal Guarantors sign a general release of claims in a form we prescribe.

PREMISES STANDARDS AND MAINTENANCE

5. You acknowledge and agree that we may promulgate, from time to time, quality standards regarding the business operations of PIRTEK hose service centers so as to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and agree to the following terms and conditions.

A. Service Center Facility. The Service Center must be constructed and equipped in accordance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, location, accessory features and design and layout of the building premises. You will be furnished with lists of approved equipment, inventory, signage, fixtures and furnishings. You may not commence construction of the Service Center nor lease a location for the development of the Service Center until you have received our written consent to your building plans.

In the event you enter into a direct lease with the landlord for the Service Center premises, we must approve such lease prior to its execution. You acknowledge, however, that you have been advised to have any lease and/or sublease reviewed by your own legal counsel. Your lease must contain the Addendum to Lease attached as Appendix D. You must provide us a copy of the lease and Addendum to Lease at least 5 days prior to their execution. You must provide us with a signed copy of the lease and Addendum to Lease upon their execution.

We make no guarantees concerning the success of the Service Center located on any site consented to by us. You are solely responsible for selecting the site for the Service Center and obtaining all necessary permits, licenses and architectural seals, and in all other respects complying with applicable legal requirements relating to the building, signs, equipment and premises, including but not limited to the Americans With Disabilities Act. You may not use the Service Center premises or Franchised Location for any purpose other than the operation of your PIRTEK Hose Service Center.

B. Future Alteration. Any replacement, reconstruction, addition or modification in building, interior or exterior decor or image, equipment, fixtures, furnishings or signage of the Service Center to be made after our consent is granted for initial plans, whether at the request of you or us, must be made in accordance with

specifications that have received our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans.

C. Maintenance. The building, equipment, signage, fixtures, display areas and furnishings employed in the operation of your Service Center must be maintained in accordance with requirements established periodically by us and reasonable schedules prepared by us based upon periodic evaluations of the premises by our representatives. In addition, you must conduct routine maintenance in accordance with general schedules furnished by us. Within a period of 20 days after the receipt of any particular report prepared following such an evaluation, you must effect the items of maintenance designated therein, including but not limited to the repair of defective items and/or the replacement of irreparable or obsolete items. If 20 days is not a reasonable period of time to complete the designated items, then you must begin to take such steps as directed by us within 10 days and complete the items within 45 days from the receipt of a particular report.

D. Relocation. Should it become necessary, on account of condemnation, sale or other cause, including cancellation of your lease, to relocate the Service Center, we will grant you authority to do so, within thirty (30) days of our receipt of your written request to relocate, at a site acceptable to us that is within the Territory, is reasonably suited for a Service Center, does not infringe on the rights of any other PIRTEK franchisee, and is reasonably distant from other PIRTEK hose service centers; provided that (i) you resume your Business at a temporary premises that meets our standards within 48 hours from the closing of the Service Center; and (ii) the new Service Center is open and operating within 120 days after your discontinuing operation of the Service Center at the Franchised Location, all in accordance with our current standards at that time. Further, if you request our assistance in connection with any such relocation, you submit to us a Center Relocation Assistance Fee equal to \$2,000 at the time you submit to us your request for relocation assistance.

E. Modernization or Replacement. From time to time as we require, you must effect such items of modernization, refurbishing and replacement of building, equipment, signage, fixtures, display areas, furnishings and grounds as may be necessary to permit the same to conform to our standards then prescribed for similarly situated new PIRTEK hose service centers. The maximum amount that you will be required to spend on any such modernization, refurbishing and or replacement will be a cumulative amount equal to \$5,000 per year for each year that you have operated your Business under this Agreement, with the \$5,000 amount adjusted annually in accordance with any annual change in the National Consumer Price Index, as that change is described in Section 16.M. For example, in year 5 of this Agreement, you may be required to spend \$25,000 (plus any Consumer Price Index increase) on modernizing the premises. In year 6 after you have modernized your premises, the cumulative amount is reduced back to \$5,000 with the \$5,000 per year increase thereafter. You acknowledge and agree that the requirements of this Section 5.E are both reasonable and necessary to ensure continued public acceptance and patronage of PIRTEK hose service centers and to avoid deterioration or obsolescence in connection with the operation of your Business. Each

and every transfer of any interest in this Agreement or business conducted hereunder governed by Section 14 is expressly conditioned upon your compliance with the foregoing requirement. This \$5,000 per year limitation does not apply to the modernization requirement as a condition of franchise renewal under Section 4.

F. MSS Units. You, at your cost, must operate within the Territory the number of MSS Units as we reasonably deem necessary from time to time. You must acquire and have operating a MSSU within 2 months of being notified by us in writing of the requirement to operate the MSSU. The MSS Units must be operated by your MSS Technicians, who must be employees fully trained in the operation of MSS Units. You, at your cost, must purchase or lease motor vehicles as specified by us from a dealer who sells vehicles that meet our specifications and standards. You promptly must fit out, paint and equip (including the installation and use of a tracking system we designate) the motor vehicles as a PIRTEK MSSU, and thereafter maintain and properly register and insure the MSS Units, all in accordance with our standards and specifications as we may prescribe from time to time. Each MSSU must be retired from service and a new replacement motor vehicle purchased or leased by you at least once every 4 years. We, at our option, may permit you to operate such MSSU for an additional one-year period, provided the MSSU is repainted and refurbished to our standards. The MSS Units may only be used by you to assist in conducting your Business within the Territory, unless we otherwise approve in writing. Upon disposal of a MSSU, you must ensure that all Marks and other references to the PIRTEK Marks or Business have been removed or obliterated from the MSSU, and if you fail to do so, we may enter upon the Business premises or elsewhere to do so at your cost.

OPERATIONS STANDARDS AND REQUIREMENTS

6. You acknowledge and agree that we have established and may revise, from time to time, quality standards regarding the operations of PIRTEK Hose Service Center businesses so as to protect the distinction, goodwill and uniformity symbolized by the Marks and the System. Accordingly, you agree to maintain and comply with our quality standards and requirements for the System and agree to the following terms and conditions.

A. Products and Services. You may sell only those products and services in connection with the Marks and Business that we have approved in writing (sometimes referred to in this Agreement as “approved products and services”). The approved products and services may be identified in the Manual, inventory lists or otherwise in writing. These products and services meet standards and specifications prescribed by us, which we may modify from time to time.

B. Purchases from Us and Other Vendors and Suppliers. You must purchase all designated hoses, fixed tube assemblies, fittings, adapters, components and other products for resale to customers (the “Inventory Products”) from us only, except for limited instances when you must satisfy a customer’s immediate demand for products, as described in the Manual. Under no circumstances, however, can a PIRTEK hose tag be placed on a non-PIRTEK hose. In addition, you must purchase fixtures, equipment, and other supplies (“Non-Inventory Items”), which we determine meet our standards and

specifications of quality required to protect the valuable goodwill and uniformity symbolized by and associated with the Marks and Business. You will pay the then-current price in effect at the time for the Inventory Products and other Non-Inventory Items you purchase from us. You must purchase Non-Inventory Items from us or other vendors or suppliers that sell the Non-Inventory Items meeting our standards and specifications, although we are the only available supplier for equipment necessary to outfit the MSSUs and Non-Inventory Items containing the PIRTEK Marks. With respect to certain Inventory Products, we may require you to hold specified levels of inventory at the Franchised Location. We will endeavor to use our best efforts to have available for your purchase from us a full line of Inventory Products. We have the right to apportion Inventory Products and any other items due to shortages. **ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES OR OTHER APPROVED ITEMS. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND EQUIPMENT THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.**

C. Operations Manual. To help protect our reputation and goodwill and to maintain uniform operating standards under the Marks and Business, you must conduct your Business in accordance with the required standards and procedures contained in our Operations Manual and any other manuals created by us for, or approved for, use in the operation of your Business (collectively the "Manual"). Any required standards exist to protect our interest in the System and the Marks and not for the purpose of establishing any control, or the duty to take control, over those matters that are reserved to you.

You will receive one copy of the Manual during the training program, which we will loan to you during the term of this Agreement. The Manual will be available in on-line format only and at all times is our sole property. You must at all times treat the Manual, and the information contained therein, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Manual and you expressly agree to comply with each new or changed requirement. You must at all times ensure that your copy of the Manual is kept current and up to date, and in the event of any dispute as to the contents of said Manual, the terms of the master copy of the Manual that we maintain is controlling. You acknowledge and agree that in the future the Manual and other system communications may only be available on the internet or other on-line or computer communications, as described in Section 6.K. Upon expiration or termination, whether by us or by you, you must return or destroy the Manual in its entirety or pay a fine of \$10,000.

D. Operating Procedures. The Manual contains requirements, recommendations and suggestions for the operation of a PIRTEK Hose Service Center Business. You must adopt and use the required standards, procedures, techniques and systems described in the Manual. We may revise the Manual and the standards,

procedures, techniques and systems set forth therein periodically to meet changing conditions of operation in the best interest of all businesses operating under the Marks. You must conform to all quality and customer service standards prescribed by us in writing.

Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be set forth in the Manual as defined in subparagraph 1.C or other written materials. The Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

If requested by us, you must provide us with customer lists for the Business in the form prescribed by us as well as copies of customer invoices for the Business. We have the right to contact the customers to ascertain your quality of customer service and the level of customer satisfaction. As those customers are PIRTEK customers, you may not use the customer lists for the Business for any purpose whatsoever other than the normal conduct of your Business.

E. Confidential Information. You may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any Confidential Information, except to such employees as must have access to it in order to operate your Business. For purposes of this Agreement, "Confidential Information" means proprietary information contained in the Manual or otherwise communicated to you in writing, verbally or through the internet or other on-line or computer communications, and any other knowledge or know-how concerning the methods of operation of your Business. Any and all Confidential Information, including, without limitation, processes, materials, methods, procedures, suggested pricing, specifications, techniques and other data, may not be used for any purpose other than conducting the Business in the Territory. We may require that you obtain nondisclosure and confidentiality agreements in a form satisfactory to us from any persons owning a minority interest in you, your Designated Manager and other key employees. These agreements also may include noncompete covenants, although it is your responsibility to ensure that any such agreement you use complies with applicable state law. Copies of the executed agreements must be provided to us upon request.

F. Evaluations. We or our authorized representatives have the right to enter your Business premises at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by you, to inspect and evaluate your premises used for your Business, to observe and accompany you on service calls and to test, inspect and evaluate your products and services. Your failure to receive a satisfactory rating on any evaluation is

considered a default under Section 11.A. Any evaluation is for the sole purpose of protecting our interest in the Marks and in no way may be construed as the assumption of any duty to control day-to-day operation and maintenance of the Business.

G. Adaptations. Complete and detailed uniformity under many varying conditions may not always be possible or practical, and we reserve the absolute and exclusive right to vary the standards for any franchisee based upon the customs or circumstances of a particular territory, density of population, existing business practices or any condition that we deem to be of importance to the operation of your business. You are not entitled to require us to grant to you a like or other variation hereunder on account of any variation from standards, specifications and practices granted to any other franchisee. You acknowledge and agree that any requirement, standard or specification prescribed by us under this Agreement is subject to our periodic modification or rescission as may be necessary in our reasonable judgment to adapt our System to changing conditions and competitive circumstances.

H. Period of Operation. Subject to any contrary requirements of local law, your Service Center must be opened to the public and operated at least 9 hours each regular business day of the year plus 3 hours each Saturday. In addition, you must have 24-hour on-call service each day of the year. We must authorize, in writing, any variance from these provisions. You acknowledge and agree that if the Service Center is closed for a period of 7 consecutive days or more without our prior written consent, such closure constitutes your voluntary abandonment of your Business and we have the right, in addition to other remedies provided for herein, to terminate this Agreement and the franchise operated hereunder. Acts of God, war, strikes, riots and other causes set forth in Section 16.L preventing you temporarily from complying with the foregoing will suspend compliance therewith for the duration of such interference.

I. Compliance with Law. You must maintain at all times your Business premises and conduct your Business operations in compliance with all applicable laws, regulations, codes and ordinances, including, but not limited to, environmental laws regarding the storage and disposal of hazardous waste and other hazardous substances or materials. You acknowledge that you are an independent business and solely responsible for control and management of your Business, including, but not limited to, such matters as hiring and discharging your employees; and you acknowledge that we have no power, responsibility or liability in respect to such hiring, discharging or related matters. You must promptly notify us of any claim or litigation in which you are involved that arises from the operation of your Business or Service Center.

J. Computer System. You must install and use in your Hose Service Center and Business the computer network system (the "Computer System") that we have developed or selected for your Business, including all future updates, supplements and modifications. The Computer System may include a tracking system that we may require you install and use in your MSSUs. You must use the Computer System in the format and manner that we prescribe. The computer software package developed for use in your Business may include a proprietary software program developed for PFS and us by a third party. You must lease the proprietary software from us, which software will remain

our confidential property. In addition, you and we will enter into our standard form of Computer Software License Agreement, a copy of which is attached as Appendix E. We reserve the right to assign our rights, title and interest in the proprietary software or the Computer Software License Agreement to a third party that we designate. In such event, you may be required to enter into a separate computer software license agreement specified by the third party supplier of the proprietary software. The computer hardware component of the Computer System must conform to specifications we develop and must be configured in a package unit as we designate. If we are requested to configure your computer hardware component to conform to the designated computer software component of the Computer System, we may provide such assistance for additional agreed upon compensation. You acknowledge and agree that we have full and complete access to information and data produced by the Computer System. You will be required to use and pay for all future updates, supplements and modifications to the Computer System. It is your responsibility to make sure that you are in compliance with all laws that are applicable to the Computer System or other technology used in the operation of your Business, including all data protection or security laws as well as PCI compliance.

K. Participation in Internet Web Site or Other On-line Communications. You must have internet access and an e-mail address. In addition, we may require you, at your expense, to participate in a PIRTEK web site on the internet or other on-line communications, including any intranet system we may develop in the future. You may not separately register any domain name or operate any web site containing any of the Trademarks without our written approval. We determine the content and use of a PIRTEK web site and have the right to establish the rules under which franchisees may or must participate in the web site or separately use the internet or other on-line communications, including the use of social media platforms such as Facebook and Twitter. You and your employees must comply with all of our social media policies as prescribed from time to time. We retain all rights relating to the PIRTEK web site and may alter or terminate the web site. Your general conduct on the web site or other on-line communications and specifically your use of the Marks or any advertising on the web site or other on-line communications (including the domain name and any other Marks we may develop as a result of participation in the web site or other on-line communications) is subject to the provisions of this Agreement. You shall not use or download any software on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software, you shall be liable for all damages and problems caused by the unauthorized software in addition to the other remedies provided under this Agreement. You acknowledge that certain information obtained through your participation in the PIRTEK web site may be considered Confidential Information, including access codes and identification codes. Your right to participate in the PIRTEK web site or any intranet system we may develop or otherwise use the Marks or System on the internet or other on-line communications terminates when this Agreement expires or terminates.

L. Strategic Accounts. We reserve the right to establish and administer a Strategic Accounts program. You acknowledge and agree that we may from time to time establish policies or procedures in the Manual or otherwise in writing that apply to Strategic Accounts, as we designate. You agree to follow the policies and procedures for

Strategic Accounts. For these purposes, Strategic Accounts are those customers who do business with two or more PIRTEK hose service franchisees. If such a program is established, you must participate in it and comply with all Strategic Accounts standards and procedures set forth in the Manual and/or as we may otherwise communicate to you, as well as the specific terms of our arrangement with each applicable Strategic Account, which terms may include, without limitation, the provision of certain insurance and other products and services, special pricing, or payment terms.

K. Creative Works. All ideas, business ventures, concepts, inventions, techniques, or materials concerning a PIRTEK Business, whether or not protectable intellectual property and whether created by or for you or one of your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and “works made-for-hire” for us. To the extent any item does not qualify as a “work made-for-hire” for us, you agree to assign and hereby assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

M. Customer Service; Service Warranties. You must honor our warranty policies for services you provide to customers, as described in the Manual. You are solely responsible for the quality and results of the services and products you sell and provide to customers. You must render and must cause each of your employees to render prompt, competent and courteous service to customers and you shall offer and honor such service warranties as we direct.

You must respond to any dissatisfied customers within 24 hours after the complaint is received or as otherwise set forth in the Manual. If you are unable to equitably resolve the customer’s complaint within 3 days after the initial contact, you must contact us for assistance in handling the complaint. In no event shall our assistance be construed to make us liable to you or to a customer in connection with such complaint. You are solely responsible for satisfactorily and timely resolving all warranty claims, customer disputes, and online customer reviews. Should you fail to do so, you must reimburse the cost of any such services to us or any third party that we authorize to perform the services or you must reimburse us for any refund or other payment we may make to a customer (as applicable). We may at any time contact customers concerning the quality of services you provide, the level of customer satisfaction, or other aspects of the Business that we deem relevant.

N. Pricing Policies. We may, from time to time, make suggestions to you with regard to your pricing policies. We also reserve the right to establish minimum and/or maximum prices you may charge in the operation of the Business to the extent permitted by applicable law. In addition, we have the right to negotiate Strategic Account arrangements, including pricing which will bind all Businesses providing services to such Strategic Accounts.

O. Crisis Situations. In the interest of protecting the PIRTEK brand, Marks and the System, we have the sole and absolute right to determine a response, including

what steps will be taken and what communications will be made, in instances of a Crisis, and Franchisee agrees to comply with and implement our directions in response to a Crisis. "Crisis" means an event or development that negatively impacts the PIRTEK brand in such a way that we determine may cause substantial harm or injury to the Marks, System, reputation or image.

P. Customer Information. We own all Customer Information and may use the Customer Information as we deem appropriate (subject to applicable law), including sharing it with our affiliates for cross-marketing or other purposes. You may only use Customer Information to the extent necessary to perform your obligations under this Agreement during the term hereof and subject to such restrictions as we may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, you agree to comply with applicable law in connection with your collection, storage and your use and our use of such Customer Information, including, if required under applicable law, obtaining consents from Customers to our and our affiliates' use of the Customer Information. You must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements ("Privacy Laws"), as well as data privacy and security policies, procedures and other requirements we may periodically establish. You must notify us immediately of any suspected data breach at or in connection with the Business or the business operated at the Business. You must fully cooperate with us and our counsel in determining the most effective way to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You are responsible for any financial losses you incur or remedial actions that you must take as a result of breach of security or unauthorized access to Customer Information in your control or possession.

If the California Consumer Privacy Act ("CCPA"), Cal. Civ. Code § 1798.100, et seq., or any federal or state Privacy Law applies to the Business or the business operated at the Business, whenever and to the extent you operate as a "Service Provider" under the CCPA or in a similar capacity under any federal or state Privacy Law, you represent, warrant, and covenant that:

(1) You will not sell, make available or otherwise disclose any Customer Information to any third party for valuable consideration;

(2) You will retain, use, or disclose Customer Information only for the specific purpose of operating the Business as specified in this Agreement, and not any commercial or noncommercial purpose other than operating the Business as specified in this Agreement;

(3) You will not retain, use, or disclose Customer Information outside of the direct business relationship between you and us;

(4) You will delete any Customer Information upon our request unless you can prove that such request is subject to an exception under applicable law; and

(5) If you receive a Customer Information data request (e.g. a request to delete Customer Information) directly from a consumer (e.g., a California resident under the CCPA, or a resident of another jurisdiction under other applicable Privacy Law), you shall inform us of that request within one business day and cooperate with us to ensure that the consumer receives an appropriate and timely acknowledgement and response. As an example, currently under the CCPA, an acknowledgement is typically required within 10 business days and a final response is required within 45 calendar days.

You certify that you understand the restrictions in Paragraphs (1) – (5) of this section and will comply with them. You also acknowledge and agree that we may modify these restrictions from time to time by written notice to you, by issuing updates to our standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and you agree to comply with the same.

SUPERVISION AND TRAINING STANDARDS

7. The following provisions and conditions control with respect to personnel, training and supervision.

A. Supervision of the Business. Your Business must at all times be under the direct, on-premises supervision of the Controlling Owner or the Designated Manager.

B. Training. Prior to commencement of your Business, you, your Controlling Owner, your Designated Manager (if any), at least 2 MSS Technicians and your administration person must, at your expense for room, board and travel, attend and successfully complete our training program. The training program will take place at a location and for a period as we designate. There is no separate fee payable to us for this initial training, as the training is included in the Initial Franchise Fee described in Section 8.A. You understand that this Agreement will not become effective unless these individuals successfully complete the training program to our satisfaction.

In the event that you are given notice of default as set forth in Section 11.A and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing said default that you, your Controlling Owner, your Designated Manager or MSS Technicians again attend and successfully complete our training program at a place that we designate at your expense. Under no circumstances may you (i) permit management of the Service Center's operations on a regular basis by a Designated Manager who has not successfully completed our training program; or (ii) permit the operation of an MSSU by an MSST who you have not properly trained in accordance with our standards.

Any Designated Manager or MSST must participate in and satisfactorily complete such additional training programs as we may reasonably designate from time to time, which may include on-site training at another PIRTEK hose service center prior to the commencement of your Business. Attendance at any additional training program is at your expense for room, board and travel.

Any training provided by us to any of your employees will be limited to training or guidance regarding the delivery of approved services to customers in a manner that reflects the customer standards of the System. You are, and will remain, the sole employer of your employees at all times, including during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You are solely responsible for ensuring that your employees receive adequate training.

C. Staffing. You must at all times maintain a sufficient number of trained employees to properly and efficiently service your customers. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of your Business with no liability therefor on us. No employee of yours is deemed to be an employee of ours for any purpose whatsoever, and nothing in any aspect of the System or the Marks in any way shifts any employee or employment related responsibility from you to us.

D. Attendance at Meetings. You and your Designated Manager, at your expense, must attend all meetings that we sponsor for PIRTEK franchisees to set forth new methods and programs for operation, training, management, sales or advertising. These meetings include one national conference for all franchisees and may also include regional seminars. If you are unable to attend any such meeting, you should so notify us prior to the meeting and attempt to cause a substitute person from your Business acceptable to us to attend and represent you at such meeting.

FEES, REPORTING AND AUDIT RIGHTS

8. You must pay the fees described below and comply with the following provisions.

A. Initial Franchise Fee; Opening Set-up Fee; Computer System and Computer Connection Fee. You must pay to us an Initial Franchise Fee of \$50,000, which must be paid in full as of or prior to the execution of this Agreement. In addition, you must pay to us an Opening Set-up Fee in an amount equal to \$5,000 to \$14,000 (as we determine), which is due on or before your first day of attendance at the initial training program, and a Computer System and Computer Connection Fee in an amount equal to \$5,000 to \$10,000, which is payable prior to the date you commence business operations. All initial fees and payments shall be deferred until all initial obligations owed to franchisee under the Franchise Agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the Franchise Agreement.

B. Continuing License Fee. In addition to the Initial Franchise Fee and in consideration of the rights licensed hereunder, you must pay monthly to us as a Continuing License Fee an amount equal to 4% of Gross Sales during the term of this Agreement.

C. Computations and Remittances. All amounts due and owing hereunder, except the Initial Franchise Fee, must be computed at the end of each month's operation

and remittance for the same must be made to us on or before the 10th day of the following month for which the amounts are due. The computation of said amounts must be certified by you in the manner and form specified by us, and you must supply to us such supporting or supplementary materials as we may reasonably require to verify the accuracy of such remittances.

You must sign a draft authorization, attached as Appendix F, to authorize and direct your bank or financial institution to transfer electronically directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. If we initiate a draft for monies owed to us or our affiliates and your account has insufficient funds to cover such draft, you will be charged a penalty owed to us in the amount of 1% of the total amount attempted to draft or \$300, whichever is greater. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

You waive any and all existing and future claims and offsets against any amounts due hereunder, which amounts must be paid when due. We are entitled to apply or cause to be applied against amounts due to us any amounts that may from time to time be held by us on your behalf or owed to you by us.

D. Reports and Financial Management. You agree to employ sound financial management and planning practices in connection with your Business. You must keep such books and records as we may periodically require, all of which must accurately reflect the operations and conditions of your Business.

Within 3 calendar days after the end of each month, you must submit to us reports with respect to the preceding calendar month in the form and content as we may prescribe periodically. The reports must include a fully completed Monthly Management Report including Gross Sales of the Business for sales made during the previous month and other information as we require from time to time.

By November 1st of every year during the term of this Agreement, you must submit to us copies of your federal tax returns relating specifically to your PIRTEK franchise, and/or a consolidated return that includes Pirtek business. In addition, if requested by us at reasonable periodic intervals in order to monitor the financial or operational condition of your Business, you must submit monthly sales summaries, profit plans, year to date balance sheets, statements of profits and loss, budgets and tax returns (at other time periods as requested outside of the November 1st date).

Finally, if requested by us to verify your Gross Sales, you must submit to us all the books and records as we may require under our audit policies published from time to time.

You must maintain at all times your books and records for your Business at your Business premises. In addition, you must maintain all financial information on the Computer System described in Section 6.J and provide the information to us according to

reporting formats, methodologies and time schedules established by us from time to time. You are required to allow us electronic and manual access to any and all records and information relating to your Business.

E. Audits. We or our authorized representative has the right at all times during the business day to enter your Business premises and to evaluate, copy and audit your books and records. If an audit is made necessary by your failure to furnish reports, financial statements, tax returns or schedules as required under this Agreement, or in the event that any evaluation or audit of the Business reveals an understatement of your Gross Sales, Continuing License Fee or other material financial information related to your Business of 4% or more from data reported to us, in addition to any other rights we may have (including collection of amounts owed with respect to any understatement), you must reimburse us for all audit costs including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, we may conduct such further periodic audits and evaluations of your books and records, at your sole expense, as we reasonably deem necessary for up to two years thereafter. You acknowledge and agree that if a subsequent audit or evaluation conducted within the two year period reveals any such understatement or variance of 4% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement in accordance with Section 11.B of this Agreement.

MARKETING FEES AND CONTROLS

9. You agree to actively promote your Business, to abide by all of our marketing and advertising requirements and to comply with the following provisions.

A. Marketing Programs and Payment to Us of Administration Expenses. We reserve the right periodically to establish, organize and prescribe sales promotion programs. You must pay monthly to us as a Marketing Fee during the term of this Agreement an amount equal to 1-1/2% to 3% of Gross Sales. You acknowledge and agree that we may establish the percentage of Gross Sales level annually at any level from 1-1/2% up to 3%, although you will not be required to pay a higher Marketing Fee than other franchisees in your designated marketing area (“DMA”), as specified by us. We will notify you annually regarding the exact percentage of Gross Sales for your Marketing Fee, except for any year in which there is no change from the previous year.

Upon request, we will annually advise you of the unaudited receipts and expenditures of the Marketing Fees. You acknowledge and agree that (i) we have the absolute and exclusive right to determine expenditures of funds collected and as to the selection of the promotional materials, items and programs for which said expenditures are made, (ii) we have no fiduciary obligation to PIRTEK franchisees with respect to the marketing programs or expenditures of funds; and (iii) we may compensate ourselves for the expense of administering and promoting such marketing programs. Reasonable disbursements from the Marketing Fees may be made for the payment of expenses incurred in connection with the general promotion of the Marks and System including the cost of formulating, developing and implementing advertising and promotional programs, and the reasonable costs of administering these programs, including accounting expenses

and the actual cost of salaries and fringe benefits paid to our employees or designees engaged in administration of the programs.

We have the absolute and exclusive right to determine the methods of advertising, media employed and contents, terms and conditions of the marketing programs. In addition, you acknowledge that from time to time we may loan money to the marketing programs to fund specific promotions or other similar reasons and we may be repaid out of the Marketing Fees, at our option, with interest computed at the “base” or “prime” interest rate as publicly announced by the Wall Street Journal and as further defined in Section 10.A.

B. Local Marketing. In addition to the Marketing Fee contributions, in order to promote local marketing for PIRTEK hose service centers, you must fully participate in local sales and promotional activities, including the introduction of new products and other marketing programs. These marketing programs, from time to time, may include local point of sale promotional materials prepared by us. You must purchase and use any local marketing materials prepared by us. You are required to spend a monthly amount between 0.375% - 0.75% of Gross Sales for such local marketing materials and programs. The monthly amount will be an amount that is equal to 25% of your Marketing Fee for that month. Any such local marketing must be factual, dignified and meet the highest standards of ethical marketing, and cannot be injurious to our Marks or their goodwill. Unless the local materials are prepared by us, you must submit all such proposed advertising or marketing materials to us for approval before using the materials.

FRANCHISEE’S OTHER OBLIGATIONS

10. You agree to comply with the following terms and conditions.

A. Payment of Debts. You agree to pay promptly when due (i) all payments, obligations, assessments, and taxes due and payable to us, vendors, suppliers, lessors, or creditors in connection with your Business or its premises, products or services used in connection with your Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of said property; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of your Business. In the event you should default in making any such payment, we will be authorized, but not required, to pay the same on your behalf and you covenant promptly to reimburse us on demand for any such payment.

Any and all amounts owing to us by you, whether the same arise under the provisions of this Section 10.A or otherwise, will bear interest computed using a fluctuating interest rate equal to the interest rate per annum publicly announced by the Wall Street Journal as the “prime” rate (currently the prime rate is the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks) as effective on the last day of the prior month plus 2% per annum, or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual thereof.

We expressly reserve the right to withhold or delay the shipment of products and services to you if you are in arrears with respect to any amount owed to us.

B. Liability and Insurance. You waive all claims against us for damages to property, death or injuries to persons arising out of the management or operation of your Business and Center. You must fully protect, indemnify and hold us and our owners, directors, officers, successors and assigns and our affiliates harmless from and against any and all claims, demands, damages and liabilities of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Business and Center (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates) or any breach by you or your failure to comply with the terms and conditions of this Agreement. We also reserve the right to select our own legal counsel to represent our interests, and you must reimburse us for our costs and attorneys' fees immediately upon our request as they are incurred. As between us and you, you are solely responsible for the safety and well-being of your employees and your customers.

It is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason; however, if we incur any cost, liability, loss or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such cost, liability, loss and damage.

You further agree to purchase and maintain in full force and effect, solely at your expense, liability insurance in an aggregate amount designated periodically by us, insuring both parties hereto and any other person designated by us by name from liability for any and all such damage or injury. As of the effective date of this Agreement, the liability insurance must be not less than \$3,000,000 combined single limit per occurrence. You must purchase and maintain in full force and effect business interruption insurance for actual losses sustained. In addition, you agree to purchase and maintain in full force and effect, at your expense, insurance in amounts designated periodically by us covering operation or maintenance of any building, equipment or MSSU vehicles owned or leased by you in connection with your Business and any other insurance specified in writing by us from time to time or required by local, state or federal law. You further agree to deliver to us periodically or at our request proper certificates evidencing the existence of all such insurance coverage and your compliance with the provisions of this Section. All coverage must name us as an additional insured thereunder and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. You must promptly and in accordance with the terms of the policies report all claims or events which may give rise to claims against you or us to both the appropriate insurer and us. All insurance coverage must be submitted to us and fully effective at least 14 days prior to the earlier of your possession of the Business premises or the commencement of your Business.

If you at any time fail or refuse to maintain any insurance coverage required by us, or to furnish satisfactory evidence thereof, we will be entitled to obtain such insurance coverage on behalf of you and you must promptly execute any applications or other

forms or instruments required to obtain such insurance, and you agree to pay us, on demand, any and all costs incurred and premiums that may have been paid by us in connection therewith.

C. Conflict of Interest. You (including specifically Controlling Owner and also any Personal Guarantors as described in Section 16.F) may not during the term of this Agreement (i) engage as an owner, partner, director, officer, franchisee, employee, consultant, agent or in any other capacity in any business selling products and services similar to the products and services sold by your Business licensed under this Agreement without our prior written approval or (ii) take any action that in any way diverts customers to a competitor.

DEFAULT AND TERMINATION

11. The following provisions apply with respect to default and termination:

A. Defaults. You will be in default if we determine that you or any Personal Guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing, includes (i) voluntary abandonment of your Business, (ii) making any false report to us, (iii) failure to submit any required report, (iv) failure to pay when due any amounts required to be paid to us or any of our affiliates whether pursuant to this Agreement or otherwise or to any third party (including vendors and suppliers) as required by this Agreement, (v) conviction of you or any Personal Guarantor of (or pleading no contest to) any felony or an offense that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair the goodwill of any of the Marks, (vi) failure to abide by our standards and requirements in connection with the operation of your Business, (vii) your failure to meet your minimum annual performance target, (viii) filing of any tax liens or voluntary or involuntary bankruptcy by or against you or any Personal Guarantor, (ix) your insolvency or any Personal Guarantor's insolvency, (x) making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors, (xi) any unauthorized assignment or transfer of your Business, this Agreement or your ownership, (xii) failure to meet any requirements or specifications we establish with respect to service quality, customer service, sales procedures, or use of approved products and services, or (xiii) territory infringement.

B. Termination by Us. We have the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Section 11.B: (i) you will have 30 days from the date of a written notice of default to cure any default under this Agreement; (ii) your failure to cure a default within the 30-day period will provide us with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and

(iv) the termination will be effective 30 days after the date of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination: voluntary abandonment of your Business; you willfully and materially falsify any report, statement or other written data furnished to us; conviction of you or any Personal Guarantor of (or pleading no contest to) any felony or offense that brings or tends to bring any of the Marks into disrepute or impairs or tends to impair the goodwill of any of the Marks; your failure to meet your minimum annual performance target as noted in Section 6.D (in this case only we will give you a 60-day written warning before the end of the annual period that you are not on track to meet the annual performance target); your insolvency or any Personal Guarantor's insolvency; your failure to comply with the conflict of interest (including in-term noncompete) provisions of Section 10.C; making an assignment or entering into any similar arrangement for the disposition of assets for the benefit of creditors; any unauthorized assignment or transfer of your Business, this Agreement or your ownership; any default that results from a subsequent audit of your Business conducted within two years of a previous audit and both audits reveal an understatement of 4% or more in financial information provided to us; or any default by you that is the third default within any 12 month consecutive period. Furthermore, we may declare this Agreement null and void if you make any material misrepresentation on the franchise application or otherwise relating to the acquisition of the franchise.

3. Immediate Termination After 24 Hours to Cure. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Marks (i) you will have 24 hours after we provide written notice of the default to cure the default; and (ii) the termination will be effective immediately upon our issuance of written notice of termination.

4. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise will supersede any provision of this Agreement that is less favorable to you than such law or regulation.

C. Termination by You. You may terminate this Agreement only for good cause and provided that you are in full compliance with all terms and conditions of this Agreement. Our failure to cure a default by us hereunder within 30 days from the date of a written notice of default will give you good cause to terminate this Agreement. You must notify us in writing that we have committed an alleged material breach of this

Agreement, in which case we have 30 days after receipt of such notice to cure the alleged material breach. The notice must specify with particularity the nature of the alleged material breach and the steps you request that we take to cure the alleged material breach. You may terminate this Agreement only if we fail to cure the alleged material breach.

POST-TERM OBLIGATIONS

12. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Mark Use. All of your rights to the use of the Marks and all other rights and licenses granted herein and the right and license to conduct Business under the Marks in the Territory will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. You must immediately (i) cease all use and display of the Marks and of any material copyrighted by us (including, without limitation, the Manual and other Confidential Information), (ii) take such action as may be required to cancel all assumed name, d/b/a designations or equivalent registrations relating to the use of any trade name or Marks, (iii) notify the telephone company and listing agencies of the termination or expiration of your right to use all telephone numbers of your Business and all classified and other directory listings of your Business and assign to us the telephone numbers used in the operation of your Business in accordance with the Assignment of Telephone Numbers (in accordance with the form attached hereto as Appendix G, which you must sign at the time you sign this Agreement). You also must cease your participation in any PIRTEK web site, discontinue your use of the Marks on the internet or other on-line communications and assign to us your domain name and e-mail address used in the operation of your Business in accordance with the Assignment of Domain Name and E-Mail Address (in accordance with the form attached hereto as Appendix H, which you must sign at the time you sign this Agreement). Furthermore, you must not use any of the PIRTEK Marks in a derogatory, negative, or other inappropriate manner in any media, including but not limited to print or electronic media.

You must immediately pay all sums due to us, our affiliates or designees or to whom payment by you, us or any of our affiliates has guaranteed. You must immediately return to us all copies of the Manual and any other materials containing Confidential Information, return to us and stop using all customer lists for the Business (you agree that the customers are PIRTEK customers and you will not contact those customers), and otherwise comply with the confidentiality and nondisclosure provisions of Section 6.E. Failure to return the Manual to us will result in a fine in the amount of \$10,000. You must promptly and in any event within 30 days, at your expense, remove or obliterate all signage, displays or other materials in your possession that bear any of the Marks or names or material confusingly similar to the Marks and so alter the appearance of the Business premises (including MSSUs) as to differentiate your Business unmistakably from duly licensed businesses identified by the Marks.

Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your indemnification obligations specified in Section 10.B or under common law and other obligations pursuant to any applicable lease

for your Business premises or pursuant to this Agreement or otherwise, which by their very nature are intended to survive the expiration or termination of this Agreement.

B. Purchase Rights. We have the unqualified right, at our option, to purchase any or all Inventory Products in your possession or owned by you at the time of expiration or termination. If we exercise our unqualified right to purchase your Inventory Products, we will pay you the actual amount that you paid for such Inventory Products, less a 15% restocking fee, and less the cost of shipping. Additionally, we have the unqualified right to purchase, at our option, any equipment, fixtures, signage, furnishings, products or supplies of whatever kind that we choose and that is owned by you and used by you in your Business, or to obtain an assignment of your lease for your Business premises (if applicable). The value of any equipment, fixtures, signage, furnishings, products or supplies (other than Inventory Products) that we choose to purchase will be determined using an 8 year depreciation schedule. We may exercise our purchase rights at any time within 30 days from the date of termination.

Your attempt to sell the Business or any assets of the Business for which we have a purchase option in violation of this Section 12.B will cause irreparable damage to us and will entitle us to an injunction as set forth in Section 13.B. Further, you agree that part of the injunctive relief will be declaring the unauthorized sale null and void, so our purchase option is restored. Our interest hereunder in said property will constitute a lien thereon and may not be impaired or terminated by your sale or other transfer of any such equipment, fixtures, signage, furnishings, products, supplies or other items to a third party. Upon our exercise of our purchase rights and tender of payment for any such Inventory Products, equipment, fixtures, signage, furnishings, supplies or other items, you agree to sell and deliver the same to us, free and clear of all encumbrances, and to execute and deliver to us a bill of sale therefor and such other documents as may be necessary to effectuate the transfer. We also may elect to use part of the purchase proceeds to pay off any lender who has a superior security interest to free the purchased assets from those encumbrances.

C. Noncompetition. You (including specifically Controlling Owner and also any Personal Guarantors as described in Section 16.F) may not engage as an owner, partner, director, officer, franchisee, employee, consultant, agent or in any other capacity in any business that sells products and services similar to the products and services sold by a PIRTEK business within the Territory or Promotional Zone or within 15 miles of the Territory or any Promotional Zone or the territory or promotional zone of any other PIRTEK center for a period of 2 years after expiration or termination of this Agreement. You expressly agree that the 2-year period and 15-mile radius are the reasonable and necessary time and distance needed to protect us if the Agreement expires or is terminated for any reason.

DISPUTE RESOLUTION; INJUNCTIVE RELIEF

13. You and we agree as follows.

A. Dispute Resolution. Except as qualified below in Section 13.B, any dispute involving us, you, Controlling Owner or Personal Guarantors (including the partners, officers, members, directors, heirs, beneficiaries or other similar parties claiming an interest through any of these entities) arising under, out of, or in any way connected with or related to this Agreement, the relationship between the parties or your Business must be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be arbitrated in accordance with the rules and procedures and under the auspices of the American Arbitration Association. The arbitration must take place in Orlando, Florida, or at such other place as may be mutually agreeable to the parties. Any arbitration must be resolved on an individual basis and not joined as part of a class action or the claims of other parties. The arbitrators must follow the law and not disregard the terms of this Agreement. The arbitrators appointed must have at least 5 years' experience in franchising or in franchise law. The decision of the arbitrators will be final and binding on all parties to the dispute; however, the arbitrators may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by us. Judgment upon the award may be entered in any court having jurisdiction thereof.

Except as qualified below in Section 13.B, before you or we can initiate arbitration or litigation in connection with a dispute arising under this Agreement, the parties agree to meet in person for at least two hours at our home office in an attempt to resolve the dispute. The meeting will be on an individual basis between you and at least one member of our executive team and must take place within two weeks of a party's request for the meeting, and each party must pay its own costs and expenses with respect to the meeting. If a party refuses to participate in this meeting, the refusing party must pay \$5,000 to the other party.

B. Injunctive Relief. Notwithstanding Section 13.A above, you recognize that your Business is one of a number of businesses identified by the Marks and similarly situated and selling to the public similar products and services, and hence the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to us and/or to some or all of our other franchisees. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. Similarly, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by us, you will forthwith be entitled to an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of

reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators.

The foregoing equitable remedies are in addition to, and not in lieu of, all other remedies or rights that the parties might otherwise have by virtue of any breach of this Agreement by the other party. Finally, we reserve the right to commence a civil action against you or take other appropriate action for the following reasons: to collect sums of money due to us; to compel your compliance with trademark standards and requirements to protect the goodwill of the Marks; to compel you to compile and submit required reports to us; or to permit evaluations or audits authorized by this Agreement.

C. Attorneys' Fees. The prevailing party in any legal proceeding before a court, arbitrators or other tribunal to enforce the terms and provisions of this Agreement is entitled to recover its reasonable attorneys' fees and costs from the non-prevailing party. This Section 13.C will survive termination or expiration of this Agreement.

D. Enforcement. During the term of this Agreement, if you do not give us written notice of the alleged breach within one year from the date that you have knowledge of circumstances reasonably indicating that you may have a claim for our breach of this Agreement, then the alleged breach is deemed to be waived by you in all respects and you will be barred from commencing any legal or other action against us for the alleged breach. Furthermore, upon expiration or termination of this Agreement, you may not assert any claim or cause of action against us relating to this Agreement, the relationship between the parties or the Business conducted hereunder unless commenced within one year following the effective date of expiration or termination of this Agreement. Notwithstanding the preceding two sentences, where the one year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

ASSIGNMENT BY FRANCHISEE

14. You agree that the following provisions govern any transfer or proposed transfer by you.

A. Transfers. This Agreement is entered into by us with specific reliance upon your financial qualifications and the personal experience, skills and managerial and financial qualifications of you and the Controlling Owner as being essential to the satisfactory operation of the Business licensed hereunder. Consequently, neither your nor your Controlling Owner's interest in this Agreement or in your Business conducted hereunder, nor Controlling Owner's interest in you, may be transferred or assigned to or assumed by any other person or entity (the "assignee"), in whole or in part, unless you or Controlling Owner has first tendered to us the right of first refusal in accordance with Section 14.E, and if we do not exercise such right, unless you obtain our prior written consent and satisfy the transfer conditions described in Section 14.C.

Any sale (including installment sale), lease, pledge, management agreement, contract for deed, option agreement, gift or otherwise or any arrangement pursuant to which you turn over all or part of the daily operation of your Business licensed hereunder to a person or entity who shares in the losses and/or profits of your Business in a manner other than as an employee is considered a transfer for purposes of this Agreement. Specifically, but without limiting the generality of the foregoing, the following events constitute a transfer and you must comply with the right of first refusal, consent, transfer fee, and other transfer conditions in this Section 14:

1. Any change or series of changes in the percentage of the franchisee entity owned, directly or indirectly, by any Controlling Owner that results in any addition or deletion of any person or entity who qualifies as a Controlling Owner or who owns directly or indirectly more than a 25% ownership interest in the franchisee entity;
2. Any change in the general partner of a franchisee that is a general, limited or other partnership entity; or
3. For purposes of this Section 14.A, a pledge or seizure of any ownership interests in you or in any Controlling Owner.

In the event of your or Controlling Owner's insolvency or the filing of any petition by or against you or Controlling Owner under any provisions of any bankruptcy or insolvency law, if legal representative, successor, receiver or trustee desires to succeed to your or Controlling Owner's interest in this Agreement or the business conducted hereunder, such person first must so notify us, tender the right of first refusal provided for in Section 14.E, and if we do not exercise such right, apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Section 14.C. In addition, you, Controlling Owner or the assignee must pay our attorneys' fees and costs in any bankruptcy or insolvency proceeding pertaining to you or Controlling Owner.

B. Consent to Transfer. Our consent to transfer hereunder will not be unreasonably withheld, provided that the proposed assignee is, in our reasonable judgment, qualified to provide active supervision over the operation of the Business operated hereunder, the proposed assignee possesses sufficient net worth and sources of capital to meet our standards for the Business operated hereunder, and the conditions defined in Section 14.C are satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 14.E must be made by submission of our form of application for consent to transfer, which will be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information required therein. The application will indicate whether you or Controlling Owner proposes to retain a security interest in the property to be transferred. No such security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer is subject to the prior written approval of us, which approval will not be withheld unreasonably. You and Controlling Owner immediately must notify us of any proposed transfer hereunder and must submit promptly to us the application for consent

to transfer. Any attempted transfer by you or Controlling Owner without our prior written consent or otherwise not in compliance with the terms of this Agreement is void and provides us with the right to elect either to terminate this Agreement or to collect from you a transfer fee equal to two times the transfer fee provided for in this Agreement.

C. Conditions of Transfer. Whether the transfer be to an individual, a corporation, a partnership or to any other entity, the following provisions apply:

1. We may condition our consent to any proposed transfer upon the following:

(a) all of your obligations in connection with your Business have been assumed by assignee;

(b) all of your ascertained or liquidated debts in connection with your Business, including all amounts owed to us or any of our affiliates or your suppliers have been paid in full;

(c) you are not in default under any provision of this Agreement;

(d) the assignee meets our then-current reasonable qualifications for new franchisees and executes our then current Franchise Agreement for a full term as provided therein;

(e) the assignee completes all training required of new franchisees and pays all then-current training fees;

(f) you or assignee has paid \$25,000, as adjusted annually in accordance with the increase in the National Consumer Price Index as described in Section 16.N, as a transfer fee to reimburse us for our legal and accounting fees, credit and investigation charges and expenses incurred as a consequence of such assignment;

(g) you and all Personal Guarantors, officers, directors, and shareholders must execute a general release in favor of us and agree to comply with the covenant not to compete set forth in Section 12.C of this Agreement;

(h) in the case of an installment sale, if you or any Controlling Owner proposes to retain a security interest or other financial interest in the Franchise Agreement or the business operated thereunder (with our consent), you or such Controlling Owner must agree to guarantee the performance of the Franchise Agreement until the final close of the installment sale or the termination of such interest, as the case may be;

(i) you refurbish, replace and modernize your Business so that it will conform to our then-current standards for PIRTEK Hose Service Centers, as designated by us; and

(j) any other conditions that we may reasonably require from time to time as part of our transfer policies.

2. Notwithstanding the conditions stated in Section 14.C.1 above, an individual Franchisee may assign the franchise to a corporation or other similar entity in which you own all of the issued and outstanding capital stock, provided that:

(a) you or a manager approved by us actively manages the Business and continues to devote the individual's best efforts and full and exclusive time to the day to day operation and development of the Business;

(b) the corporation or other similar entity is newly organized and its activities are confined exclusively to acting as you under this Agreement;

(c) the corporation or other similar entity executes a document in such form as we approve in which it agrees to become a party to and be bound by all the provisions of this Agreement;

(d) you remain personally liable in all respects under this Agreement and you execute on a form we approve a personal guaranty and agreement not to sell, assign, pledge, mortgage or otherwise transfer or encumber the stock; and

(e) all certificates representing shares or ownership interests in the corporation or other similar entity bear a legend that they are subject to the terms of this Agreement.

3. We may require you to prepare and furnish to assignee and/or us such financial reports and other data relating to your Business and its operations as we, in our sole and exclusive judgment, may deem necessary or appropriate for assignee and/or us to evaluate your Business and the proposed transfer. You agree that we have the right to confer with proposed assignees and furnish them with information concerning your Business and proposed transfer without being held liable to you, except for intentional misstatements made to any such assignee. Any such information furnished by us to proposed assignees is for the sole purpose of permitting the assignees to evaluate the Business and proposed transfer and must not be construed in any manner or form whatsoever as earnings claims or claims of success or failure.

D. Death, Disability or Incapacity. If you (or Controlling Owner) die or become disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a franchisee hereunder, such person or entity must apply for our consent thereto under Section 14.B, and satisfy the transfer conditions described in Section 14.C, as in any other case of a proposed transfer. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, no transfer fee is payable to us. In the event that you (or Controlling Owner) die or become permanently incapacitated, and the rights hereunder are not assigned (with our approval) pursuant to Sections 14.A-C and 14.E, then unless and until we terminate this Agreement pursuant to Section 13.B hereof, we have the right, but not the obligation, to enter onto your Business premises and to operate and manage your Business until the franchise is terminated or assigned to a party acceptable to us in accordance herewith or you have appointed a manager who is approved and trained by us; provided, however, no such operation and management by us continues for more than 180 days without the written consent of either you or the representative of the estate. In the event that we operate your Business, we will account for all net income for such operation less our reasonable expenses incurred in, and a reasonable management fee for, our operation of your Business and it is agreed that you must bear all losses incurred.

E. Right of First Refusal. If you or Controlling Owner proposes to transfer or assign this Agreement or your interest herein (including Controlling Owner's interest in an entity Franchisee) or in the Business conducted hereunder, in whole or in part, to any third party, including, without limitation, any transfer contemplated by Sections 14.A and 14.D, you or Controlling Owner first must offer to sell to us said interest as provided herein. In the event of a bona fide offer from such third party, you or Controlling Owner must obtain from the third-party offeror and deliver to us a statement in writing, signed by the offeror and by you, of the terms of the offer.

In the event of (i) a transfer or assignment of stock or similar ownership interests of you or Controlling Owner's interest in you or (ii) you or Controlling Owner's insolvency or the filing of any petition by or against you or Controlling Owner under any provisions of any bankruptcy or insolvency law, the offer will be for you and Controlling Owner's interest in this Agreement, and the building equipment, inventory, fixtures, and leasehold interest used in the operation of the Center. An amount and terms of purchase must be established by a qualified appraiser selected by the parties. If the parties cannot agree upon the selection of such an appraiser, the American Arbitration Association will appoint one upon petition of either party to appoint an appraiser to establish such price in accordance with the rules and procedures of the Association. We must receive a statement in writing incorporating the appraiser's report.

We have 60 days from our receipt of the statement setting forth the third-party offer or the appraiser's report to accept the offer by delivering written notice of acceptance to you or Controlling Owner. The acceptance will be on the same price and terms set forth in the statement delivered to us; provided, however, we have the right to substitute equivalent cash for any noncash consideration included in the offer. If we fail to accept the offer within the 60 day period, you or Controlling Owner are free for six months from the date the offer was submitted to us to effect the disposition described in

the statement delivered to us; provided such transfer is not at a lower price or more favorable terms than have been offered to us and is otherwise in accordance with this Section 14. If the disposition is not closed within the six-month period with the proposed assignee, then you or Controlling Owner must reoffer to sell to us prior to the sale to a third party. You or Controlling Owner may effect no other sale or assignment of you, this Agreement or the business conducted hereunder without first offering the same to us in accordance with this Section 14.E.

ASSIGNMENT BY FRANCHISOR

15. We reserve the right to sell or assign, in whole or in part, our interest in this Agreement. Any such sale or assignment will inure to the benefit of any assignee or other legal successor.

GENERAL PROVISIONS

16. The parties agree to the following provisions.

A. Severability. Should one or more clauses of this Agreement be held to be void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses must be deemed to be separable in such jurisdiction and the remainder of this Agreement must be deemed to be valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding hereunder may, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by us of any breach by you, nor any delay or failure by us to enforce any provision of this Agreement, may be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce our rights with respect to that or any other or subsequent breach. Subject to our rights to modify Appendices or System standards and requirements and as otherwise provided herein, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your Business. This Agreement, together with any addenda and appendices, constitutes the sole agreement between the parties with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to the business authorized hereunder. Nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein must be signed by the party serving the same and either delivered personally or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and if such notice is a notice of default or of termination, by registered or certified mail, and addressed as follows:

1. If intended for us, addressed to the CEO, Pirtek USA LLC, 300 Gus Hipp Boulevard, Rockledge, Florida 32955;
2. If intended for you or Controlling Owner, addressed to _____; or,

in either case, to such other address as may have been designated by notice to the other party. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

D. Authority. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by signature will be valid only if in writing executed by you or, if on behalf of us, in writing executed by our President.

E. References. If Franchisee is two or more individuals, the individuals are jointly and severally liable, and references to Franchisee in this Agreement includes all such individuals. Headings and captions contained herein are for convenience of reference and must not be taken into account in construing or interpreting this Agreement.

F. Controlling Owner; Personal Guarantors. The Controlling Owner must be identified on the Ownership and Management Addendum at the end of this Agreement and must sign the attached undertaking and guarantee as a Personal Guarantor. In addition, any person or entity that is an owner of an equity interest of 10% or greater of Franchisee, or at any time becomes an owner of any equity interest 10% or greater of Franchisee, is a Personal Guarantor and must execute the form of undertaking and guarantee attached to this Agreement, as a condition of becoming a minority owner.

G. Relationship of Parties. You are an independent contractor with control and direction of your Business and operations, subject to the conditions and obligations established by this Agreement. No agency, employment, or partnership is created by this Agreement. Your Business is separate and apart from any that we may operate. Neither party to this Agreement may make any representations tending to create apparent agency, employment, or partnership.

H. Successors/Assigns. Subject to the terms of Sections 14 and 15, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

I. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law. Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement is governed by and interpreted in accordance with the laws of the state of Florida. While the laws of Florida shall apply, Florida conflicts of law rules shall not be used to apply the laws of a state other than the state of Florida. Franchisee and Controlling Owner acknowledge and agree that any Florida franchise or business opportunity law shall not apply, unless Franchisee or Controlling Owner is a Florida resident or their PIRTEK Center is located in Florida. You expressly waive any rights or protections you have or may have under any statute or law of any other state to the fullest extent permitted by law. This Agreement may be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations. Subject to Section 13.A, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court for the Middle District of Florida in Orlando, Florida, or in Brevard County Circuit Court, Fifth Judicial District, Titusville, Florida. Both parties hereto irrevocably admit themselves to, and consent to, the exclusive jurisdiction of said courts. The provisions of this Section will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section, and with a complete understanding thereof, agree to be bound in the manner set forth.

2. Our Rights. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Our Reasonable Business Judgment. Whenever we reserve or are deemed to have reserved discretion in a particular area or where we agree or are deemed to be required to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of us. Examples of items that will promote or benefit the System

include enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System.

J. JURY WAIVER. YOU AND WE HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.

K. WAIVER OF PUNITIVE DAMAGES. YOU AND WE (AND OUR RESPECTIVE OWNERS AND GUARANTORS, IF APPLICABLE) AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

L. Acts Beyond Control of Parties. In the event of any failure of performance of this Agreement according to its terms by any party the same will not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, fire, acts of God, riots and acts of government except as may be specifically provided for elsewhere in this Agreement.

M. National Consumer Price Index. The renewal fee (Section 4(i), the modernization amount (Section 5.E) and the transfer fee (Section 14.C.1(f)) may be adjusted annually by us in proportion to the annual change in the National Consumer Price Index – All Urban Consumers as reported for each calendar year by the U.S. Department of Labor (or the successor index or agency thereto) using 1997 as the base year, and as so adjusted will apply to each renewal, modernization or transfer, as the case may be, subsequent to the adjustment date but prior to the next adjustment date.

N. Notice of Potential Franchisor Profit. We hereby advise you that we and/or our affiliates will make available to you Inventory Products and goods, products and/or services for use in your Business on the sale of which us or our affiliates will make a profit. For Inventory Products (which may or may not contain the PIRTEK Marks) and Non-Inventory Items containing the PIRTEK Marks, we will be the only available supplier, and the cost of these items may be higher than the cost of other hoses or other similar products on the market. We further advise you that we or our affiliates may from time to time receive consideration from suppliers or vendors in respect to sales of products or services to you or in consideration of services rendered or rights licensed to

such persons. You agree that we or our affiliates are entitled to said profits and/or consideration.

O. Termination of Master Franchise Agreement. Upon termination of the Master Franchise Agreement, this Agreement and other franchise agreements we have issued for PIRTEK Centers in the United States may be assigned to PFS or its designee at PFS's written request.

P. Effective Date. We will designate the effective date on page one of this Agreement. The effective date is either the date when the Agreement is accepted by us at our offices in Rockledge, Florida, and signed by our President, or some other date designated by us.

IN WITNESS WHEREOF, the parties have executed this Franchise Agreement on the date first noted above.

Us:

You:

PIRTEK USA LLC

By: _____
Its: _____

(Print Name)

(Your Signature)

Company Name:

By: _____:
(Your Signature)

Its: _____
(Your Position)

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF CALIFORNIA

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything that may be contained in the body of the Agreement to the contrary, the Agreement is amended as follows:

1. California Business and Professions Code Sections 20000 through 20043, the California Franchise Relations Act, provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

2. The Franchise Agreement may contain a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

3. Section 8.A of the Franchise Agreement is amended to include the following statement: Payment of all initial fees is postponed until after all of franchisor's initial obligations are complete and franchisee is open for business.

4. Sections 12.C and 14.C.1(g) of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under California law.

5. Section 13 of the Franchise Agreement requires binding arbitration. The arbitration will occur in Orlando, Florida.

6. Section 14.C.1(g) of the Franchise Agreement requires the execution of a general release if the franchise is transferred. This provision may not be enforceable under California law.

7. The one year contractual statute of limitation for bringing claims set forth in Section 13.D of the Franchise Agreement may not be enforceable under California law.

8. Sections 16.J (Waiver of Jury Trial) and 16.K (Waiver of Punitive Damages) of the Franchise Agreement may not be enforceable under California law.

9. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF ILLINOIS

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Section 2 of the Agreement is hereby amended to include the following language:

You are solely responsible for locating a site for the Franchised Location that meets our standards and criteria and that is acceptable to us. We generally will respond within 30 days of your request for approval of a proposed site. If we do not approve the site you propose, we will permit you to examine alternative search areas for your site. Although this Agreement does not terminate if you do not select a site with a prescribed time period, you may not commence construction on the Service Center until we approve the site.

2. Section 8.A of the Franchise Agreement is amended to include the following statement:

With respect to the Initial Franchise Fee, we shall defer the payment of the initial franchise fee and other initial payments owed to us, or our affiliate, by you until such time as all initial obligations owed to you under the Franchise Agreement or other agreements have been fulfilled by us and you have commenced doing business pursuant to the Franchise Agreement. The Illinois Attorney General has imposed this deferral requirement upon the payment of the Initial Franchise Fee, pursuant to Section 200.508 of the Illinois Franchise Disclosure Act.

3. The fourth and fifth sentences of Section 16.B of the Agreement are hereby deleted in their entirety.

4. Section 16.B of the Agreement is hereby amended to include the following:

Nothing in this Section 16.B, however, may be construed to mean that you may not rely on representations in the Pirtek® Disclosure Document that we provided to you in connection with the offer and purchase of your Pirtek® Business, although those representations do not become part of the Franchise Agreement.

5. Subparagraph 16.I.1 of the Agreement is hereby deleted in its entirety and the following substituted in lieu thereof:

Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement shall

be governed by and interpreted in accordance with the law of the state of Illinois. This Agreement shall be deemed to be amended from time to time as may be necessary to bring any of its provisions into conformity with valid applicable laws or regulations. The provisions of this subparagraph shall survive the termination of this Agreement. Franchisee is aware of the business purposes and needs underlying the language of this subparagraph, and with the complete understanding thereof, agrees to be bound in a manner set forth. Subject to subparagraph 13.A, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Illinois federal or state court for the Territory in which you are located.

6. Section 16.J the Agreement is hereby deleted in its entirety.

7. Currently, an Illinois franchisee could not have a territory that includes parts of Illinois and another state. Illinois law, therefore, would apply for any Territory located in Illinois.

8. The Acknowledgment Addendum is unenforceable under Illinois law because it may have the effect of forcing a franchisee to waive or release certain rights that you as a franchisee have under the Illinois Franchise Disclosure Act, 815 IL § 705.

9. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF MARYLAND

This Addendum pertains to franchises sold in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Sections 4 and 14 are amended to provide that the general release that may be required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 8.A of the Franchise Agreement is amended to include the following statement: The Maryland Securities Commissioner has required a financial assurance. All initial fees and payments shall be deferred until such time as the franchisor completes its initial obligations under the Franchise Agreement.

3. Section 16 is hereby amended to provide that any disclaimers or acknowledgments by you under this Section are not intended to nor shall act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 16.I is amended to provide that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure law. Specifically, the following language is hereby inserted between the fifth and sixth sentences of 16.I:

You may bring such action in the federal or state court of the State in which the Territory is located or in which you reside.

5. Section 16.I is further amended to provide that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the date of the Franchise Agreement.

6. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. We will undertake the defense of any claim of infringement by third parties involving the PIRTEK Trademark, and you will cooperate with the defense in any reasonable manner prescribed by us with any direct cost of such cooperation to be borne by us.

2. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

3. Nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In addition, Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. Therefore, Section 16.I is amended by the addition of the following language:

Subject to Section 13.A, any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties must be brought in the Federal District Court for the Middle District of Florida in Orlando, Florida or in Brevard County Circuit Court, Fifth Judicial District, Titusville, Florida or the federal or state court of the Territory in which the Franchisee is located.

4. Section 16.J is deleted in its entirety.

5. The second sentence of Section 13.B of the Agreement is deleted in its entirety and has no further force and effect and the following is substituted in lieu thereof:

Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by you, we will forthwith be entitled to seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators.

6. The following sentence is added to the end of Section 8A: All initial fees and payments shall be deferred until all initial obligations owed to franchisee under the Franchise Agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the Franchise Agreement.

7. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF NEW YORK

This Addendum pertains to franchises sold in the State of New York and is for the purpose of complying with New York statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Section 12 of the Franchise Agreement contains a covenant not to compete which extends beyond the term of the franchise. This provision may not be enforceable under New York law.
2. Section 15(E)(1) of the Franchise Agreement requires the application of the laws of Florida. This provision may not be enforceable under New York law.
3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The Sections of the Franchise Agreement requiring that you sign a general release, as a condition of renewal and or assignment, may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.
2. The Franchise Agreement and Nondisclosure and Non-Competition Agreement contain a covenant not to compete which may not be enforceable under North Dakota law.
3. The section of the Franchise Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.
4. The sections of the Franchise Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.
5. The section of the Franchise Agreement requiring franchisees to consent to a waiver of trial by jury, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.
6. The section of the Franchise Agreement that requires Franchisee to consent to a waiver of exemplary and punitive damages shall not be enforceable in North Dakota.
7. The sections of the Franchise Agreement requiring Franchisee to agree to the mediation or arbitration of disputes at a location that is remote from the site of Franchisee's business are not enforceable. The parties shall mutually agree upon a site in North Dakota for any mediation required by the Franchise Agreement.
8. Section 8.A of the Franchise Agreement is amended to include the following statement: All initial fees and payments shall be deferred until all initial obligations owed to franchisee under the Franchise Agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the Franchise Agreement.

Except as amended herein, the Franchise Agreement will be construed and enforced pursuant to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

Franchisee Initials

Franchisor Initials

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF RHODE ISLAND

The Rhode Island Addendum is only applicable if you are a resident of Rhode Island or if your business will be located in Rhode Island.

The Franchise Agreement is amended consistent with Section 19-28.1-14 of the Rhode Island Franchise Investment Act, which provides as follows:

“A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF VIRGINIA

Section 8.A of the Franchise Agreement is revised to provide as follows:

“The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the Initial Franchise Fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Franchise Agreement.”

Section 11 of the Franchise Agreement is revised to provide as follows:

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____
Its: _____

By: _____
Its: _____

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

Section 8.A of the Franchise Agreement is modified as follows: Pursuant to a requirement by the Securities Division, the collection of all initial fees and payments will be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

The following paragraphs are added to the end of the Agreement:

In recognition of the requirements of the Washington Franchise Investment Protection Act (the "Act") and the rules and regulations promulgated thereunder, the Franchise Agreement of Rainbow International LLC shall be modified as follows: Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable by a franchisor against an employee of the franchisee unless the employee's earnings from the party seeking enforcement, when annualized, exceed one hundred thousand dollars per year (an amount that will be adjusted annually for inflation). Pursuant to RCW 49.62.030, a noncompetition covenant is void and unenforceable by a franchisor against an independent contractor of the franchisee unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed two hundred fifty thousand

dollars per year (an amount that will be adjusted annually for inflation). As a result, the franchisor will not require franchisee to have its employees and independent contractors sign any agreement that contains noncompetition covenants that would violate RCW 49.62.020 by binding an employee of franchisee making less than one hundred thousand dollars per year (an amount that will be adjusted annually for inflation) or an independent contractor of franchisee making less than two hundred fifty thousand dollars per year on an annual basis (an amount that will be adjusted annually for inflation).

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting the franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor. As a result, the franchisor will not require the franchisee to sign any non-solicitation agreement that would violate RCW 49.62.060 by restricting, restraining or prohibiting the franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or a franchisee or (ii) soliciting or hiring any employee of the franchisor.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____ 20 _____.

PIRTEK USA LLC

FRANCHISEE

ADDENDUM TO
PIRTEK®
FRANCHISE AGREEMENT FOR THE
STATE OF WISCONSIN

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Notwithstanding anything that may be contained in the body of the Franchise Agreement to the contrary, Section 11.B of the Agreement pertaining to “Termination by Us” is extended as follows:

For all franchises sold in the State of Wisconsin, we will provide you at least 90 days’ prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and Licensee inconsistent with the Law.

3. In all other respects, the Franchise Agreement will be construed and enforced according to its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT

In consideration of the execution of this Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in this Franchise Agreement, to be paid, kept and performed by you.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Franchise Agreement and agree that this Personal Guaranty should be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement, including without limitation the dispute resolution and noncompete provisions of the Franchise Agreement.

Each of the undersigned waives: (i) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (ii) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (iii) any right the undersigned has to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by your insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guaranty inures to the benefit of the successors and assigns of us.

PERSONAL GUARANTORS

Your Signature

Your Signature

Print Name

Print Name

Address

Address

City State Zip Code

City State Zip Code

Telephone

Telephone

Social Security Number

Social Security Number

APPENDIX A
TO PIRTEK® FRANCHISE AGREEMENT

TIER 1

DBA TRADE NAME FOR YOUR BUSINESS: PIRTEK _____

FRANCHISED LOCATION

As stated in Paragraph 2 of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Franchised Location at which you must conduct your PIRTEK Business is defined as follows: _____
_____.

TERRITORY

As stated in Paragraph 2 of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Territory in which you must conduct your PIRTEK Business is defined as follows: _____
_____.

Initials:

Us: _____

You: _____

TIER 2

DBA TRADE NAME FOR YOUR BUSINESS: PIRTEK _____

FRANCHISED LOCATION

As stated in Paragraph 2 of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Franchised Location at which you must conduct your PIRTEK Business is defined as follows: _____

TERRITORY

As stated in Paragraph 2 of the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement, the Territory in which you must conduct your PIRTEK Business is defined as follows:

In order to maintain the Territory with the Territory protections set forth in Paragraph 2, you must have 2 MSS Units and 2 MSS Technicians in the Territory within 90 days of the Effective Date of the Franchise Agreement.

ADDITIONAL MSS UNITS, TECHNICIANS AND THE SERVICE & SUPPLY CENTER

- A. On or before fifteen months from the Effective Date of the Franchise Agreement (_____), you must (i) add one additional MSS Unit and one MSS Technician (for a total of three MSSUs and three MSSTs) and (ii) pay us a \$10,000 Tier 2 Territory Expansion Fee.
- B. On or before twenty-seven months from the Effective Date of the Franchise Agreement (_____) and only if you have met the requirements in (A) above and have expanded the Territory, you must (i) add one additional MSS Unit and one MSS Technician (for a total of four MSSUs and four MSSTs) and (ii) pay us a second \$10,000 Tier 2 Territory Expansion Fee.
- C. On or before thirty-nine months (_____) from the Effective Date of the Franchise Agreement and only if you have met the requirements in (A) and (B) you must (i) open a Service & Supply Center and (ii) pay us a third \$10,000 Tier 2 Territory Expansion Fee.

If at any time you do not maintain the MSS Units and MSS Technicians as set forth above for the expanded Territory, we will notify you of the default and give you a cure period under the Franchise Agreement to cure the default. If you don't cure the default, we have the right to reduce the Territory or exercise other remedies set forth in the Franchise Agreement.

Service Center Facility. As part of the Tier 2 franchise, you will not be required to operate the Service Center and comply with Sections 5.A-E of the Franchise Agreement until the time you add your fourth MSSU to the Business, provided that you comply with the following conditions:

Initial Franchise Fee; Opening Set-up Fee; Computer System and Computer Connection Fee. As part of the Tier 2 franchise, Section 8.A of the Franchise Agreement is replaced with the following:

You must pay to us an Initial Franchise Fee of \$20,000, which must be paid in full as of or prior to the execution of this Agreement. In addition, you must pay to us a Computer System and Computer Connection Fee in an amount equal to \$5,000 - \$10,000, which is payable prior to the date you commence business operations. Should you require our on-site assistance when setting up your Service Center Facility, an Opening Set-up Fee in an amount equal to \$5,000 to \$14,000 (as we determine) shall become due and payable at the time services are requested.

APPENDIX B
TO PIRTEK® FRANCHISE AGREEMENT

OWNERSHIP AND MANAGEMENT ADDENDUM

1. **Owners.** The Owners are:

Name	Percent Interest	Address

2. **Controlling Owner.** The Controlling Owner is: _____

3. **Designated Manager (if other than the Controlling Owner).** The Designated Manager is: _____

4. **Change.** You must immediately notify us in writing of any change in the information in this addendum and, at our request, prepare and sign a new addendum with the correct information.

5. **Defined Terms.** All capitalized terms used in this addendum but not defined have the same meanings as given to them in the franchise agreement.

PIRTEK USA LLC

YOU: _____

By: _____

By: _____

Its: _____

Its: _____

APPENDIX C
TO PIRTEK® FRANCHISE AGREEMENT

MARKS

You have the right to use the following trademarks and service marks in accordance with the attached Franchise Agreement.

We reserve the right to update the trademarks and service marks that you may use through updates to the Manual or this Appendix C. You agree to use only those trademarks and service marks that are then currently authorized.

Pirtek® (Word Only)



(Word and Design)

Each of the above trademarks and service marks may be used only in the manner specified by us and in connection with the goods and services specified by us. No deviations will be permitted.

Initials:

Us: _____

You: _____

APPENDIX D
TO PIRTEK® FRANCHISE AGREEMENT

Addendum to Lease

This Lease Addendum (“Addendum”), dated _____, 20__, is entered into between _____ (“Lessor”), and _____ (“Lessee”).

RECITALS

- A. The parties have entered into a Lease Agreement, dated _____, 20__, (the “Lease”) for the premises located at _____ (the “Premises”).
- B. Lessee has agreed to use the Premises only for the operation of a hose service center business from the Premises pursuant to a Franchise Agreement (the “Franchise Agreement”) with Pirtek USA LLC (“Pirtek”) under the name PIRTEK® or other name Pirtek designates (the “Business”).
- C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

AGREEMENT

Lessor and Lessee agree as follows:

- 1. **Remodeling and Decor.** Lessor agrees to allow Lessee to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement.
- 2. **Assignment.** Lessee has the right to assign all of its right, title and interest in the Lease to Pirtek or Pirtek’s affiliates or successors at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor’s consent. No assignment will be effective, however, until Pirtek or its designated affiliate or successor gives Lessor written notice of its acceptance of the assignment. If Pirtek elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Lessor and Lessee agree that (i) Lessee will remain liable for the responsibilities and obligations, including amounts owed to Lessor, prior to the date of assignment and assumption, and (ii) Pirtek will have the right to sublease the Premises to another licensee, provided the licensee agrees to operate the Business as a PIRTEK Business pursuant to a Franchise Agreement with Pirtek. Pirtek will be responsible for the lease obligations incurred after the effective date of the assignment.
- 3. **Default and Notice.**
 - (a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor agrees to give Lessee and Pirtek written notice of such default or violation within a reasonable time after Lessor knows of its

occurrence. Lessor agrees to provide Pirtek the written notice of default as written and on the same day Lessor gives it to Lessee. Although Pirtek is under no obligation to cure the default, Pirtek will notify Lessor if it intends to cure the default and unilaterally assume Lessee's interest in the lease as provided in Paragraph 3(c). Pirtek will have an additional 15 days from the expiration of Lessee's cure period in which to cure the default or violation.

- (b) All notices to Pirtek must be sent by registered or certified mail, postage prepaid, to the following address:

Pirtek USA LLC
300 Gus Hipp Boulevard
Rockledge, FL 32955
Attention: Kim Gubera

Pirtek may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees to notify both Lessee and Pirtek of any change in Lessor's mailing address to which notices should be sent.

- (c) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, Pirtek has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

4. Termination or Expiration.

- (a) Upon the expiration or termination of the Franchise Agreement, Pirtek has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.
- (b) Upon the expiration or termination of the Lease, if Pirtek does not assume Lessee's interest in the Lease, Lessor agrees to cooperate and allow Pirtek to enter the Premises, without cost and without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as a PIRTEK Business and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from PIRTEK Facilities. In the event Pirtek exercises its option to purchase assets of Lessee, Lessor agrees to permit Pirtek to remove all such assets being purchased by Pirtek.

5. Consideration; No Liability.

- (a) Lessor acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Lessee may not lease the Premises without this Addendum.
- (b) Lessor acknowledges that Lessee is not an agent or employee of Pirtek and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Pirtek or any affiliate of Pirtek and

that Lessor has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Pirtek or any affiliate of Pirtek.

(c) Nothing contained in this Addendum makes Pirtek or its affiliates a party or guarantor to the Lease, and does not create any liability or obligation of Pirtek or its affiliates.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained Pirtek's written consent.

7. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect.

8. Miscellaneous.

(a) Pirtek is a third party beneficiary of this Addendum.

(b) References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions and renewals to the documents.

(c) References to Lessor, Lessee and Pirtek include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LESSEE:

LESSOR:

By: _____

By: _____

Title: _____

Title: _____

APPENDIX E
TO PIRTEK® FRANCHISE AGREEMENT
COMPUTER SOFTWARE LICENSE AGREEMENT

DATE: _____

PARTIES:

Pirtek USA LLC ("Us")
300 Gus Hipp Boulevard
Rockledge, Florida 32955

_____ ("You")

RECITALS:

A. You and we are parties to that certain Franchise Agreement dated _____, _____ (the "Franchise Agreement").

B. Infor Business Systems ("Infor") has developed a proprietary computer network system (the "SyteLine Software System") that uses proprietary software known as "SyteLine."

C. Infor has authorized us to provide SyteLine and related third party software (the "Software") to our franchisees.

D. We are willing to grant you a limited license to such software by remote access in the operation of your business as authorized under the Franchise Agreement and this Computer Software License Agreement ("Agreement").

AGREEMENTS:

1. Limited License.

A. In consideration of One Dollar (\$1.00) and other good and valuable consideration and fees as described herein, we hereby grant you a limited license to use, through remote access, the Software described on Schedule A as the same may be modified, updated and supplemented from time to time for the purposes specified herein, which may include proprietary software for use in the mobile service fleet subject to all of the terms, conditions, covenants, obligations and restrictions herein.

B. This License also covers all substitutions and replacements for any portion of the Software and any other item hereafter delivered by us or Intuit to you for use in connection with the Software.

C. You acknowledge that this license permits use of the Software described in Schedule A (as well as all substitutions, replacements, or additions relating thereto which we

hereafter make available to you) only in the form in which they are delivered to you and does not entitle you to use or receive copies of any programs in other than machine readable form, or copies of any design specifications, logic diagrams, flow charts, source code listings, object code listings, or any other similar programming documentation.

2. License Restrictions. This Agreement authorizes you to use the Software subject to the following restrictions:

A. You may use the Software licensed hereunder only on the hardware approved by Epicor and us as being compatible with its use.

B. You may use the Software only in the conduct of your PIRTEK hose service business, as authorized under the Franchise Agreement.

C. You may not duplicate or copy the Software in any manner (electronically or otherwise) or translate or transfer the same electronically into any other machine readable or printed form.

D. You may not, without our advance written consent, make or attempt to make any modification, correction or other change to the Software or any part thereof.

3. Third Party Software Products You acknowledge that the Software includes: (i) the SyteLine Software System, which is proprietary to Infor; (ii) SSQ Server, which is the database system SyteLine uses and (iii) Windows Server, which is the operating system needed to run Infor. You are responsible to obtain at your expense the word processing, spreadsheet and Internet access software (including technical support) for use with your personal computer.

4. Software Maintenance and Support.

A. As of the date of this Agreement, we have agreed to provide maintenance and support for the Software on the terms and for the fees described in Schedule B (the "Maintenance and Support Services"). We may elect to modify the terms (including fees) and scope of the Maintenance and Support Services at any time.

B. You must pay any travel or other out of pocket expenses incurred after the date of this Agreement for the Maintenance and Support Services.

5. Proprietary Rights and Security of the Computer System.

A. The Software and all documentation, materials and information delivered to or learned by you from SyteLine or us in connection therewith are the sole and exclusive property of Intuit or its suppliers. All copies of or modifications, improvements, corrections or changes made to the Software licensed hereunder (whether or not any of the foregoing are authorized) also are the sole and exclusive property of SyteLine or its suppliers.

B. You may not sell, transfer, dispose or otherwise encumber the Software or any part thereof, nor disclose or otherwise make available the Software and documentation to any person without our prior written consent.

C. You may not copy or duplicate the Software or documentation, except with our prior written consent.

D. You acknowledge that the arrangement described in this Agreement is a true license, and not a security interest, but nevertheless agree to execute and deliver to us for filing such forms of Uniform Commercial Code financing statements as we reasonably may request.

E. You must include SyteLine's copyright and other proprietary rights notices on all copies of the Software and related documentation.

F. You must, at your expense, protect and defend SyteLine's title to the Software and at all times keep the same free and clear from all liens, claims or encumbrances.

6. Your Covenants.

A. You must follow all instructions (including manufacturer's instructions) furnished by Intuit or us with the Software.

B. You must promptly report any malfunction, errors, or interruptions in operation of the Software to us.

C. You must permit SyteLine, us or our respective designees to enter the premises where the Software is located, or to electronically access such Software from time to time at reasonable times to inspect the same and to provide (or arrange for others to provide) such updates, additions, replacements or substitutions as SyteLine or we in our sole discretion deem necessary or advisable.

D. You agree to pay when due and to indemnify and hold SyteLine and us harmless from and against all sales, use, personal property and other taxes of any kind relating to this License or the possession or use of the Software.

E. You must take such action as may be necessary (whether by instruction, agreement or otherwise) with respect to any persons permitted access to the Software so as to enable you to satisfy your obligations hereunder.

7. Warranties, Limitations of Warranties and Limitations of Liabilities and Remedies.

A. We warrant that, so long as you are not in default under this Agreement, you may enjoy quiet and peaceful remote access to the Software.

B. You acknowledge that:

(1) EXCEPT AS STATED ABOVE, SYTELINE AND WE MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER PERTAINING TO THE SOFTWARE, INCLUDING THE DESIGN OR CONDITION THEREOF, ITS MERCHANTABILITY OR FITNESS, CAPACITY, OR DURABILITY FOR ANY PARTICULAR PURPOSE, OR THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF.

(2) SYTELINE AND WE WILL NOT BE LIABLE TO YOU OR ANY OTHER PERSON FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE (WHETHER ARISING OUT OF WARRANTY OR OTHER CONTRACT, NEGLIGENCE, OR OTHER TORT, OR OTHERWISE) CAUSED DIRECTLY OR INDIRECTLY BY THE SOFTWARE OR ANY

INADEQUACY THEREOF FOR ANY PURPOSE, OR ANY DEFICIENCY OR DEFECT THEREIN OR INTERRUPTION IN THE OPERATION THEREOF, OR THE USE OR MAINTENANCE THEREOF, OR ANY REPAIRS, SERVICE OR ADJUSTMENTS THERETO, OR ANY DELAY IN PROVIDING OR FAILURE TO PROVIDE ANY OF THE FOREGOING, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF, OR ANY LOSS OF BUSINESS, OR ANY DAMAGE WHATSOEVER, INCLUDING ALL INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES RESULTING FROM ANY OF THE FOREGOING.

8. Default. You will be deemed to be in default hereunder if you fail to perform any of your obligations hereunder, violate any provision hereof, or fail to perform or breach any of your obligations under any other agreement with us (including the Franchise Agreement). You also will be deemed to be in default hereunder if you become insolvent, admit your inability to pay your debts as they become due, or if any voluntary or involuntary proceedings are instituted by or against you under any law related to bankruptcy, insolvency or receivership, or if you make any assignment for the benefit of creditors.

9. Termination of License. The license granted herein will terminate immediately under the following circumstances:

A. Upon the giving of written notice by us to you following the occurrence of a default by you as described in Paragraph 8 herein;

B. Upon the effective date of any termination of the Franchise Agreement; or

C. Upon such other date as the parties mutually may stipulate in writing.

10. Duties and Obligations of You Upon Termination. Upon termination of the license granted herein pursuant to Paragraph 9 above, you immediately must cease use of the Software and upon demand must deliver to us possession of all copies of the Software, if any, together with all materials, documents, programs and updates in connection therewith and any and all other software programs that are modifications of or contain any part of the Software licensed hereunder (whether or not any of the foregoing were authorized by us). At our request, you must assemble all of the foregoing and make the same available to us at a place designated by us that is reasonably convenient to both parties. You must permit us without legal process to enter upon any premises where any of the foregoing materials are located to take possession of the same, and hereby release us from any claim of loss or damage to any property that is caused by us or our agents in the course of effecting such repossession.

11. Third Party Beneficiary. You agree that Infor is a third party beneficiary of the rights of us under this Agreement.

12. Entire Agreement. This Agreement is the entire agreement between the parties with respect to the Software. We will not be deemed to have waived or agreed to any modification hereof, and no such purported modification or waiver will be binding against us, unless the same is set forth in a writing signed by an authorized officer of us.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Us:

PIRTEK USA LLC

By: _____

Its: _____

You:

(Print Name)

(Your Signature)

Company Name:

By: _____:

(Your Signature)

Its: _____

(Your Position)

Schedule A

Description of Software

Pirtek USA uses SyteLine as the basis for the Pirtek Computer System. SyteLine is built and deployed on Microsoft.NET technology platform and comprises “Windows Server” as the base operating system, “SSQL Server” as the underlying database, and a Microsoft.NET framework of core native Microsoft technologies to deliver the application.

The main computer server is located at our corporate data facility in Florida. Each Franchisee’s data is held on this server. You will access this data via an internet connection/VPN.

Following is a brief description of the modules used in the day-to-day processing in a Franchise:

1. Order Processing

- Record Sales Orders directly onto the system
- Produce Quotations
- Process Invoices and Credit Notes
- Allows for Cash Sales Dockets

2. Debtors—Accounts Receivables

- Maintain Debtor and Customer records
- Cash Receipting
- Payment History Analysis
- Credit Management facility
- Inquiry on Debtors and Customers

3. Inventory

- Maintain Product, Stock and Supplier records
- Record Stock adjustments, receipts and transfers
- Stocktake Facility
- Inquiry on Product levels and Stock status

4. Purchasing

- Records Purchase Orders directly onto the system
- Cash commitment analysis reports
- Receiving documents automatically printed

5. Payables/General Ledger

- Full featured accounting and reporting
- Check printing
- Maintain accounts payable and vendor records

6. Reporting

- Reporting and Data Analysis

Schedule B

Maintenance and Support Services
(including fees)

LICENSES (Paid to PIRTEK)

Per Month Charges

SyteLine License

\$250/month per license

Pmobile License

\$75/month per license

INTERNET CONNECTION (Paid to 3rd Party)

Per Month Charges

(This is an approximation as this is subject to service offered in your designated area, and will be subject to installation fees and equipment leasing, which vary by vendor.)

\$90 - \$120

EQUIPMENT (Purchased by You)

Approximate Cost

Desktop PC w/Monitor (2 required)

\$650 each

PCL5 or PCL6 Laser Printer (network capable)

\$200 - \$500

CAT 5/6 Cable (Printer)

\$16

Appendix to Schedule B

INDIVIDUAL PRICING FOR CONFIGURED EQUIPMENT

APPENDIX F
TO PIRTEK® FRANCHISE AGREEMENT

**DRAFT AUTHORIZATION FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)**

_____ (Name of Legal Entity)

_____ Name Account (if different)

(Street Address) (City, State, Zip Code)
Federal Tax Identification Number: _____ Phone Number: (_____) _____

The undersigned depositor (“DEPOSITOR”) hereby authorizes Pirtek USA (“COMPANY”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“DEPOSITORY”) and to debit such account pursuant to COMPANY’s instructions for any and all amounts due to COMPANY. The DEPOSITOR understands that all amounts debited from the account below will be credited to COMPANY’s account.

DEPOSITORY	Branch	
City	State	Zip Code
Telephone Number of Bank	Type of Account	
Bank Transit/ABA Number	Account Number	

This authority is to remain in full force and effect until DEPOSITORY has received joint written notification from COMPANY and DEPOSITOR of the DEPOSITOR’s termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity to act on it. Notwithstanding the foregoing, DEPOSITORY shall provide COMPANY and DEPOSITOR with thirty (30) days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to DEPOSITOR’s account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within fifteen (15) calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

DEPOSITOR

By: _____

Title: _____

Date: _____

APPENDIX G
TO PIRTEK® FRANCHISE AGREEMENT

ASSIGNMENT OF TELEPHONE NUMBERS

Date: _____

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Pirtek USA LLC (“we” or “us”) and _____ (“you” or “franchisee”). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your PIRTEK hose service center businesses (“telephone numbers,” including all mobile/cell phone numbers). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers. You also agree to notify the telephone companies of the termination or expiration of your right to use all telephone numbers and all classified and other directory listings.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories (“telephone companies”), to transfer the telephone numbers to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, you agree to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by us regarding the telephone numbers.

Us:

PIRTEK USA LLC

By: _____

Its: _____

You:

(Print Name)

(Your Signature)

Company Name:

By: _____:

(Your Signature)

Its: _____

(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of _____, ____.

Notary Public

APPENDIX H
TO PIRTEK® FRANCHISE AGREEMENT

ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS

Date: _____

This assignment is effective as of the date of termination of the Franchise Agreement entered into between Pirtek USA LLC (“we” or “us”) and _____ (“you” or “franchisee”). You hereby irrevocably assign to us or our designee the domain names and e-mail addresses issued to you with respect to each and all of your PIRTEK hose service center businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry (“Registry”) or internet service provider (“ISP”) may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer the domain names and e-mail addresses to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoints us as your attorney-in-fact to take any necessary actions to assign the domain names and e-mail addresses, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the domain names and e-mail addresses and our authority to direct the amendment, termination or transfer of the domain names and e-mail addresses, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from any and all claims against them arising out of any actions or instructions by us regarding the domain names and e-mail addresses.

Us:

PIRTEK USA LLC

By: _____

Its: _____

You:

(Print Name)

(Your Signature)

Company Name:

By: _____:
(Your Signature)

Its: _____
(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of _____, ____.

Notary Public

**ACKNOWLEDGMENT ADDENDUM TO
PIRTEK® FRANCHISE AGREEMENT**

As you know, you and we are entering into a Franchise Agreement for the operation of a PIRTEK® franchise. The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your business. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our Disclosure Document (and all exhibits and attachments) at least (a) 14 calendar days prior to signing the Franchise Agreement, **or** (b) if you are a resident of **New York**, at the earlier or the first personal meeting or 10 business days before the execution of the franchise or other agreement or payment of any consideration, **or** (c) if you are a resident of **Iowa or Michigan**, at the earlier of 10 business days before the execution of any binding agreement or payment of any consideration? Check one: Yes No. If no, please comment: _____

2. Have you studied and reviewed carefully our Disclosure Document and Franchise Agreement? Check one: Yes No. If no, please comment: _____

3. If we made any unilateral changes to the Franchise Agreement, did you receive a copy of the complete revised agreement at least seven calendar days prior to the date on which the Franchise Agreement was executed? Check one: Yes No. If no, please comment: _____

4. Did you understand all the information contained in both the Disclosure Document and Franchise Agreement? Check one Yes No. If no, please comment: _____

5. Was any oral, written or visual claim or representation made to you that contradicted the disclosures in the Disclosure Document? Check one: No Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

6. Did any employee or other person speaking on behalf of Pirtek USA LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any PIRTEK® location or business, or the likelihood of success at your franchised business? Check one: No Yes. If yes, please state in detail the oral, written or visual claim or representation: _____

7. Did any employee or other person speaking on behalf of Pirtek USA LLC make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document. Check one: No Yes. If yes, please comment: _____

8. Do you understand that that the franchise granted is for the right to operate a Business at the Franchised Location and for the Territory only and includes no exclusive area or protected territory outside the Territory (except for any Promotional Zone granted to you on a temporary basis) or any other franchise or development rights in any way, and that we and our affiliates have the right to issue franchises or operate competing businesses for or at locations, as we determine, near or adjacent to your Franchised Location or Territory? Check one: Yes No. If no, please comment: _____

9. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement or Disclosure Document will not be binding? Check one: Yes No. If no, please comment: _____
-
10. Do you understand that the success or failure of your Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the PIRTEK® trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Business may change? Check one: Yes No. If no, please comment: _____
-
11. Do you understand that any Promotional Zone described in Appendix A is not a separate franchise in any way and you must relinquish the Promotional Zone (in whole or in part) without compensation on 30 days' notice from Pirtek USA LLC with or without cause? Yes No. If no, please comment: _____
-
12. Have you conducted your own independent investigation of the PIRTEK franchise and not relied solely upon any oral or written representation about the franchise made by Franchisor, including assessing market conditions and investigation of the PIRTEK reputation in your geographic area? Check one: Yes No. If no, please comment: _____
-
13. Do you understand that any training, support, guidance or tools we provide to you as part of the franchise are for the purpose of protecting the PIRTEK brand and Marks and to assist you in the operation of your Business and not for the purpose of controlling or in any way intended to exercise or exert control over your decisions or day-to-day operations of your business, including your sole responsibility for the hiring, wages, training, supervision and termination of your employees and all other employment and employee related matters? Check One: Yes No. If no, please comment: _____
-
14. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) listed in Subparagraphs 10.C and 12.C and that an injunction is an appropriate remedy to protect the interests of the PIRTEK® system if you violate the covenant(s)? Further, do you understand that the term "you" for purposes of the non-compete covenants is defined broadly in subparagraphs 10.C and 12.C, such that any actions in violation of the covenants by those holding any interest in the franchisee entity may result in an injunction, default and termination of the Franchise Agreement? Yes No. If no, please comment: _____
-
15. Do you understand that you will pay the then-current price in effect at the time for the Inventory Products and other Non-Inventory Items you purchase from us and that we may derive revenue from the sale of such products to you by charging more than our wholesale purchase price from the manufacturers? Yes No. If no, please comment: _____
-
16. Do you understand that our affiliate, Pirtek Fluid System Pty. Ltd. ("PFS"), does not guarantee the performance of our obligations to you and that the Franchise Agreement is a contract just between you and us. Check One: Yes No. If no, please comment: _____
-

17. I understand that due to the COVID-19 virus pandemic and its substantial impact on local, regional and global economies and businesses, (a) my Business may experience substantial disruptions in customer demand, the supply chain for products and services, employee availability, and other aspects of operating the franchised business, and (b) I and my Business may be required to comply with new laws, rules and governmental orders issued in response to the virus outbreak, which could likely affect (potentially materially) the operating costs, revenue and/or cash flow of my Business. () Yes () No. If no, please comment: _____

18. No franchise seller(s), other than _____ (identified by me on the Receipt), was involved in offering the franchise to me, except as follows: _____

(If none, you should write "NONE" in your own handwriting and initial.)

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS CONTROLLING OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed: _____
Print Name: _____
Date: _____

Signed: _____
Print Name: _____
Date: _____

APPROVED ON BEHALF OF
PIRTEK USA LLC

Signed _____
Print Name: _____
Date: _____

By: _____
Title: _____
Date: _____

*Such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law. Except to the extent we have negotiated changes to the Franchise Agreement that differ from the Franchise Disclosure Document, nothing in this Acknowledgement Addendum or in any related agreement is intended to disclaim representations made in Pirtek USA, LLC's 2019 Franchise Disclosure Document that was furnished to you.

EXHIBIT 3

Audited Financial Statements

Pirtek USA, LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2019, 2018 and 2017

Table of Contents

Independent Auditors' Report.....	1 – 2
Consolidated Financial Statements:	
Consolidated Balance Sheets	3 – 4
Consolidated Statements of Income	5
Consolidated Statements of Changes in Member's Deficit	6
Consolidated Statements of Cash Flows	7 – 8
Notes to Consolidated Financial Statements	9 – 22

Independent Auditors' Report

To the Member and Management
Pirtek USA, LLC and Subsidiaries
Rockledge, Florida

We have audited the accompanying consolidated financial statements of Pirtek USA, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheets at December 31, 2019, 2018, and 2017, and the related consolidated statements of income, changes in member's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Continued from previous page

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pirtek USA, LLC and Subsidiaries at December 31, 2019, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wayne Dalton LLP

Boca Raton, Florida
March 13, 2020

Pirtek USA, LLC and Subsidiaries
Consolidated Balance Sheets
December 31, 2019, 2018 and 2017

	<u>Assets</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current assets:			
Cash	\$ 3,690,654	\$ 5,035,667	\$ 5,435,644
Accounts receivable, net of allowance for uncollectible accounts of \$40,000 at December 31, 2019, \$45,500 at December 31, 2018 and \$170,000 at December 31, 2017, respectively	3,742,933	3,666,497	3,323,737
Receivables, other	11,182	5,803	1,766
Related party receivables	97,404	174,980	-
Current portion of notes receivable	296,473	600,250	129,897
Inventory, net of allowance of \$40,000 at December 31, 2019, \$53,500 at December 31, 2018 and \$57,500 at December 31, 2017, respectively	3,523,586	3,321,706	2,615,134
Prepaid expenses	1,998,914	1,878,386	1,468,741
Deposits	<u>94,758</u>	<u>99,618</u>	<u>30,884</u>
Total current assets	<u>13,455,904</u>	<u>14,782,907</u>	<u>13,005,803</u>
Property, plant and equipment:			
Computer software and hardware	1,553,945	1,557,621	652,589
Office furniture and equipment	639,096	634,569	84,828
Van and warehouse equipment	1,921,523	2,164,699	485,358
Vehicles	149,557	707,537	717,653
Leasehold improvements	<u>142,730</u>	<u>146,908</u>	<u>124,222</u>
Total property, plant and equipment	4,406,851	5,211,334	2,064,650
Less: accumulated depreciation and amortization	<u>(1,565,495)</u>	<u>(1,304,799)</u>	<u>(1,254,787)</u>
Property, plant and equipment, net	<u>2,841,356</u>	<u>3,906,535</u>	<u>809,863</u>
Other assets:			
Notes receivable, less current portion	2,348,480	829,571	520,787
Investments	-	437,355	-
Master franchise agreement, net	335,105	335,105	335,105
Exclusive territory rights, net	125,087	125,087	125,087
Goodwill, net	<u>360,355</u>	<u>433,647</u>	<u>506,939</u>
Total other assets	<u>3,169,027</u>	<u>2,160,765</u>	<u>1,487,918</u>
 Total assets	 <u>\$ 19,466,287</u>	 <u>\$ 20,850,207</u>	 <u>\$ 15,303,584</u>

See accompanying notes to consolidated financial statements.

Liabilities and Member's Deficit

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current liabilities:			
Current portion of notes payable	\$ -	\$ 31,963,696	\$ 68,458
Current portion of capital leases	246,810	357,803	15,087
Accounts payable	1,554,597	1,763,540	1,180,030
Income taxes payable	1,559,428	630,881	2,014,630
Accrued payroll obligation	50,712	59,129	60,923
Other accrued liabilities	448,120	405,082	86,160
Deferred revenue	<u>750,432</u>	<u>507,074</u>	<u>70,000</u>
Total current liabilities	<u>4,610,099</u>	<u>35,687,205</u>	<u>3,495,288</u>
Notes payable, less current portion	26,442,471	41,107	32,127,031
Capital leases, less current portion	77,238	451,172	25,970
Deferred tax liability, net	<u>639,177</u>	<u>1,009,061</u>	<u>231,790</u>
Total long-term liabilities	<u>27,158,886</u>	<u>1,501,340</u>	<u>32,384,791</u>
Total liabilities	<u>31,768,985</u>	<u>37,188,545</u>	<u>35,880,079</u>
Member's deficit:			
Member's deficit	<u>(12,302,698)</u>	<u>(16,338,338)</u>	<u>(20,576,495)</u>
Total member's deficit	<u>(12,302,698)</u>	<u>(16,338,338)</u>	<u>(20,576,495)</u>
Total liabilities and member's deficit	<u>\$ 19,466,287</u>	<u>\$ 20,850,207</u>	<u>\$ 15,303,584</u>

See accompanying notes to consolidated financial statements.

Pirtek USA, LLC and Subsidiaries
Consolidated Statements of Income
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues:						
Product and labor sales	\$ 19,909,573	81.8%	\$ 19,328,837	83.6%	\$ 19,218,935	84.4%
Initial franchise and training fees	184,260	0.8%	148,510	0.6%	397,797	1.7%
Licensing fees	3,504,602	14.4%	3,093,047	13.4%	2,629,754	11.5%
Software user license fees	<u>745,468</u>	<u>3.1%</u>	<u>548,454</u>	<u>2.4%</u>	<u>530,468</u>	<u>2.3%</u>
Total revenues	24,343,903	100.0%	23,118,848	100.0%	22,776,954	100.0%
Cost of sales	<u>7,579,096</u>	<u>31.1%</u>	<u>6,445,424</u>	<u>27.9%</u>	<u>7,791,947</u>	<u>34.2%</u>
Gross profit	16,764,807	68.9%	16,673,424	72.1%	14,985,007	65.8%
Operating expenses	<u>8,883,477</u>	<u>36.5%</u>	<u>9,223,530</u>	<u>39.9%</u>	<u>7,937,032</u>	<u>34.8%</u>
Income from operations	<u>7,881,330</u>	<u>32.4%</u>	<u>7,449,894</u>	<u>32.2%</u>	<u>7,047,975</u>	<u>30.9%</u>
Other income (expenses):						
Other (expense) income	(755,786)	-3.1%	433,158	1.9%	(51,825)	-0.2%
Interest income	140,538	0.6%	64,866	0.3%	50,380	0.2%
Interest expense	<u>(1,858,944)</u>	<u>-7.6%</u>	<u>(1,937,459)</u>	<u>-8.4%</u>	<u>(1,927,669)</u>	<u>-8.5%</u>
Total other expenses	<u>(2,474,192)</u>	<u>-10.2%</u>	<u>(1,439,435)</u>	<u>-6.2%</u>	<u>(1,929,114)</u>	<u>-8.5%</u>
Income before income taxes	5,407,138	22.2%	6,010,459	26.0%	5,118,861	22.5%
Income tax expense	<u>(1,371,498)</u>	<u>-5.6%</u>	<u>(1,405,045)</u>	<u>-6.1%</u>	<u>(1,758,448)</u>	<u>-7.7%</u>
Net income	<u>\$ 4,035,640</u>	<u>16.6%</u>	<u>\$ 4,605,414</u>	<u>19.9%</u>	<u>\$ 3,360,413</u>	<u>14.8%</u>

See accompanying notes to consolidated financial statements.

Pirtek USA, LLC and Subsidiaries
Consolidated Statements of Changes in Member's Deficit
For the Years Ended December 31, 2019, 2018 and 2017

	<u>Units</u>	<u>Member's Deficit</u>	<u>Total</u>
Balance - December 31, 2017	5,029,672	\$ (20,576,495)	\$ (20,576,495)
Adoption of ASC 606, Revenue from Contracts with Customers	-	(367,257)	(367,257)
Net income	<u>-</u>	<u>4,605,414</u>	<u>4,605,414</u>
Balance - December 31, 2018	5,029,672	(16,338,338)	(16,338,338)
Net income	<u>-</u>	<u>4,035,640</u>	<u>4,035,640</u>
Balance - December 31, 2019	<u>5,029,672</u>	<u>\$ (12,302,698)</u>	<u>\$ (12,302,698)</u>

See accompanying notes to consolidated financial statements.

Pirtek USA, LLC and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net income	\$ 4,035,640	\$ 4,605,414	\$ 3,360,413
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	706,268	459,493	261,463
Amortization	73,292	73,292	73,292
Allowance for doubtful accounts	(5,500)	(124,500)	119,000
Inventory reserve	(13,500)	(4,000)	500
Loss (gain) on sale of assets	427,763	(617,541)	(88,125)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(70,936)	(218,260)	(735,615)
Other receivables	(5,379)	4,037	(470)
Inventory	(188,380)	(702,572)	(234,964)
Prepaid expenses	(120,528)	(409,645)	381,551
Deposits	4,860	(68,734)	2,782
Deferred tax asset	-	-	82,880
Franchise license	-	-	50,000
Marketing fund, due from	-	-	300,000
Other intangibles	-	-	15,527
Increase (decrease) in:			
Accounts payable	(208,943)	583,510	708,723
Income taxes payable	928,547	(1,383,749)	777,128
Accrued payroll obligation	(8,417)	(1,794)	10,357
Other accrued liabilities	43,038	318,922	26,344
Deferred revenue	243,358	69,817	(89,354)
Deferred tax liability	<u>(369,884)</u>	<u>777,271</u>	<u>(339,631)</u>
Net cash provided by operating activities	<u>5,471,299</u>	<u>3,360,961</u>	<u>4,681,801</u>
Cash flows from investing activities:			
Proceeds from sale of equipment	-	90,298	-
Investment in company owned store	437,355	(437,355)	-
Net payments to related parties	77,576	(174,980)	-
Issuance of notes receivable	(1,743,939)	(879,448)	(472,594)
Net payments received from notes receivable	528,807	100,311	57,995
Acquisition of property, plant and equipment	<u>(68,852)</u>	<u>(3,036,996)</u>	<u>(213,409)</u>
Net cash used in investing activities	<u>(769,053)</u>	<u>(4,338,170)</u>	<u>(628,008)</u>
Cash flows from financing activities:			
Borrowings on notes payable	-	-	131,743
Principal payments of notes payable	(5,562,332)	(190,686)	(87,516)
Borrowings on capital leases	-	1,076,538	25,621
Principal payments of capital leases	<u>(484,927)</u>	<u>(308,620)</u>	<u>(21,251)</u>
Net cash (used in) provided by financing activities	<u>(6,047,259)</u>	<u>577,232</u>	<u>48,597</u>
Net (decrease) increase in cash	(1,345,013)	(399,977)	4,102,390
Cash, beginning of year	<u>5,035,667</u>	<u>5,435,644</u>	<u>1,333,254</u>
Cash, end of year	<u>\$ 3,690,654</u>	<u>\$ 5,035,667</u>	<u>\$ 5,435,644</u>

See accompanying notes to consolidated financial statements.

Pirtek USA, LLC and Subsidiaries
Consolidated Statements of Cash Flows, continued
For the Years Ended December 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Supplemental disclosure of cash flow information:</u>			
Cash paid during the year for interest	<u>\$ 1,858,944</u>	<u>\$ 1,937,459</u>	<u>\$ 1,927,669</u>
Cash paid during the year for income taxes	<u>\$ 826,225</u>	<u>\$ 1,397,096</u>	<u>\$ 1,092,767</u>
<u>Supplemental disclosure of non-cash investing and financing activities:</u>			
Financing of insurance policies through notes payable	<u>\$ -</u>	<u>\$ 13,088</u>	<u>\$ -</u>
Financing of vehicles and related van equipment with notes payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,364</u>
Purchase of equipment financed with capital lease obligations	<u>\$ -</u>	<u>\$ 1,063,449</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

Note 1 – Nature of Business

Pirtek USA, LLC (“Pirtek USA”) is the master franchisee for the United States of America (“USA”) of Pirtek Fluid Systems PTY Ltd. (an Australian company). Pirtek USA is organized as a limited liability company, and as such, no member is liable for the debts, liabilities, or obligations of Pirtek USA beyond their capital contributions and particular guarantees in place. Its master franchise expired on June 18, 2018, and was extended to June 18, 2039. Pirtek USA grants franchises, provides marketing, training and central parts inventory warehousing to its franchisees.

Herewego, LLC (a California limited liability company), d/b/a Pirtek Inland Valley (“Inland Valley”), is a franchisee and wholly-owned subsidiary of Pirtek USA. The subsidiary began its operations on October 1, 2012. Inland Valley offers hydraulic/industrial hose installation and replacement services at its retail location in Ontario, California and via service/delivery vehicles. Inland Valley was sold in February 2019 and is no longer a wholly-owned subsidiary.

Eeyore Hose, LLC (a California limited liability company), d/b/a Pirtek Commerce South (“Commerce South”), is a franchisee and wholly-owned subsidiary of Pirtek USA. The subsidiary began its operations on June 18, 2010. Commerce South offers hydraulic/industrial hose installation and replacement services at its retail location in Commerce, California and via service/delivery vehicles. Commerce South was sold in February 2019 and is no longer a wholly-owned subsidiary.

WPLJR, LLC (a Tennessee limited liability company), d/b/a Pirtek Foster (“Foster”), is a franchisee and was a wholly-owned subsidiary of Pirtek USA through July 2018. The subsidiary was organized on October 2, 2015 and began its operations on November 23, 2015. Foster offers hydraulic/industrial hose installation and replacement services at its retail location in Nashville, Tennessee and via service/delivery vehicles. Foster was sold in July 2018 and is no longer a wholly-owned subsidiary.

Tucson Hose Service, LLC (an Arizona limited liability company), d/b/a Pirtek Palo Verde (“Palo Verde”), is a franchisee and was a wholly-owned subsidiary of Pirtek USA through May 2017. The subsidiary began its operations on February 1, 2016 after being converted to a company-owned location. Palo Verde offers hydraulic/industrial hose installation and replacement services at its retail location in Tucson, Arizona and via service/delivery vehicles. Palo Verde was sold in May 2017 and is no longer a wholly-owned subsidiary.

Hydraulic Hose of Norfolk, LLC (a Virginia limited liability company), d/b/a Pirtek Norfolk (“Norfolk”), is a franchisee and was a wholly-owned subsidiary of Pirtek USA through May 2018. The subsidiary began its operations on July 20, 2017. Norfolk offers hydraulic/industrial hose installation and replacement services at its retail location in Virginia Beach, Virginia and via service/delivery vehicles. Norfolk was sold in May 2018 and is no longer a wholly-owned subsidiary.

Hydraulic Hose of Tampa, LLC (a Florida limited liability company), d/b/a Pirtek Tampa (“Tampa”), is a franchisee and wholly-owned subsidiary of Pirtek USA. Tampa was sold in February 2019 and is no longer a wholly-owned subsidiary.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Pirtek USA and Palo Verde (February 2016 through May 2017), Norfolk (July 2017 through May 2018), Foster (October 2015 through July 2018), Tampa (May 2018 through February 2019), Inland Valley (October 2012 through February 2019), and Commerce South (June 2010 through February 2019), its wholly-owned subsidiaries (the “Company”). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Revenue Recognition

Pirtek USA recognizes revenues on product sales as products are shipped to the franchisees. The wholly-owned subsidiaries recognize revenues on product sales as products are sold or installed and on services as services are completed.

Pirtek USA recognizes revenues on initial individual franchise and training fees of \$20,000 – \$50,000 when all of the following criteria are met: (1) the parties to the contract have approved the contract and are committed to perform their respective obligations, (2) the Company is able to identify each party’s rights regarding the goods or services to be transferred, (3) the Company is able to identify the payment terms for the goods or services to be transferred, (4) the contract has commercial substance and (5) it is probable that the Company will collect substantially all of the consideration to which they are entitled in exchange for the goods or services transferred to the franchisee. Services included in the initial fee include training, site selection, marketing and other consulting services. The initial individual franchise fees are recognized over the life of the franchise which is typically ten (10) years.

Pirtek USA recognizes revenues on licensing fees on a monthly basis as they are billed to the franchisees. Licensing fees equal 4% of a franchisee’s monthly gross sales.

Pirtek USA recognizes revenue on software user license fees on a monthly basis as they are billed to the franchisees. Software user license fees equal \$550 per month for the first two franchisee software licenses or \$650 per month for the first three software licenses based on appropriate franchise agreement and \$150 per month for each additional software license. Franchisees choosing to use mobile computing pay \$100 per month for the first two or three licenses based on their plan and \$100 per month for each additional license.

Note 2 – Summary of Significant Accounting Policies, continued

Adoption of ASC 606, Revenue from Contracts with Customers

On January 1, 2018, the Company adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, using modified retrospective method applied to those contracts (franchises) which were not completed as of January 1, 2018. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Company’s historic revenue recognition methodology under ASC 605, *Revenue Recognition*.

The cumulative impact of adopting ASC 606 resulted in an adjustment to retained earnings in the amount of (\$367,257) at January 1, 2018, as reflected in the consolidated statements of changes in member’s deficit.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents. The Company does not hold any cash equivalents. At times throughout the year, the Company’s cash balances may exceed Federal Deposit Insurance Corporation (“FDIC”) limits. The Company had cash deposits in excess of the federally insured limits totaling \$3,655,824, \$5,035,667, and \$5,212,644 at December 31, 2019, 2018 and 2017, respectively. The Company has not experienced any losses in such accounts.

Accounts and Notes Receivable

Accounts receivable evolve in the normal course of business. Pirtek USA considers receivables outstanding for more than 60 days delinquent. All the wholly-owned subsidiaries determine the delinquency of receivables on a case-by-case basis. Notes receivable range in interest from 0% to 6%. The finance charge is 6.75%. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company’s estimates are based on historical collection experience and a review of the current status of trade accounts receivable. For larger accounts, the allowance for losses is determined primarily on the basis of management’s best estimate of probable losses, including specific allowances for known troubled accounts.

Inventory

Inventory is stated at the lower of cost or net realizable value (market) using the average cost method. Inventory consists of hydraulic hoses, metal hose fittings, shop equipment, office, and marketing supplies. A valuation allowance is provided for obsolete and slow-moving inventory to write down the cost to net realizable value, if necessary. The valuation allowance is calculated as a percentage of the inventory considered slow-moving based on the Company’s historical sales data.

Note 2 – Summary of Significant Accounting Policies, continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged against operations in the period incurred. For financial reporting purposes depreciation and amortization of property, plant and equipment are provided using the straight-line method over the estimated useful lives of the assets as follows:

Computer software and hardware	3 - 5 years
Office furniture and equipment	5 - 7 years
Van and warehouse equipment	7 - 10 years
Vehicles	5 years
Leasehold improvements	2 - 15 years

Intangible Assets

The master franchise agreement was contributed to the Company by certain of its members and former members as part of their initial capital contribution. Goodwill is the result of the purchase of the assets of Pirtek USA, Inc. in February 1998. In May 1999, the Company paid \$156,000 for certain exclusive territory rights. The master franchise agreement, goodwill and territory rights, because of their indefinite lives, are all included with goodwill in regards to testing for impairment. If considered impaired, goodwill is written down to fair value and a corresponding impairment loss is recognized. Effective December 1, 2014, the Company has elected to apply the accounting alternative allowed under update 2014-02 to the *FASB ASC 350, Intangibles – Goodwill and Other*, and has begun amortizing the remaining goodwill using the straight-line method over ten (10) years (see Intangibles Note).

Income Taxes

The Company provides deferred income taxes for temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. Deferred income taxes are computed using enacted tax rates that are expected to be in effect when the temporary differences reverse. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or the entire deferred tax asset will not be realized. The Company classifies interest and penalties, if any, related to income tax as income tax expense.

The Company's tax years subject to examination by the U.S. Federal or State tax authorities remain open for three years from the date of filing.

The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At December 31, 2019, 2018 and 2017, the Company has no liabilities for uncertain tax positions.

Advertising Costs

Advertising costs are generally charged to operations in the period incurred and totaled \$318,366, \$199,560 and \$168,968 for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 2 – Summary of Significant Accounting Policies, continued

Financial Instruments

The Company's financial instruments consist of accounts receivable, notes receivable, accounts payable, notes payable, and capital lease obligations. It is management's opinion that the Company is not exposed to significant interest rate or credit risks arising from these instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

Recently Issued Accounting Guidance

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the consolidated balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statements of income. The new standard is effective for fiscal years beginning January 1, 2020. Management expects the impact of this guidance will result in the recognition of ROU assets and associated liabilities.

In January 2017, the FASB issued ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairments*. This update simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this updated standard, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity also should consider income tax effects from any tax-deductible goodwill on the carrying amount of reporting unit when measuring the goodwill impairment loss, if any. This guidance is effective prospectively and is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

Date of Management's Review

The Company evaluates events and transactions occurring subsequent to the date of the consolidated financial statements for matters requiring recognition or disclosure in the consolidated financial statements. The accompanying consolidated financial statements consider events through March 13, 2020, the date at which the consolidated financial statements were available to be issued.

Note 3 – Notes Receivable

On June 1, 2016, the Company reclassified receivables due from an existing franchisee to a \$108,576 note receivable. The interest rate is 6% and requires interest only monthly payments for the first three (3) months of \$543 and twenty (20) monthly payments of \$1,810 from Oct 10, 2016 through May 10, 2018, with a balloon payment of the remaining balance plus accrued interest totaling \$77,782 on June 10, 2018.

Note 3 – Notes Receivable, continued

On October 25, 2016, the Company reclassified receivables due from an existing franchisee to a \$10,000 note receivable. The note requires six (6) monthly installments of \$1,429 commencing on November 1, 2016 through May 1, 2017.

On December 30, 2016, the Company reclassified receivables due from an existing franchisee to a \$124,185 note receivable. The interest rate is 6% and requires interest only monthly payments for the first three (3) months of \$621 starting February 1, 2017, and twenty (20) monthly payments of \$2,070 from May 1, 2017 through December 31, 2018, with a balloon payment of the remaining balance plus accrued interest totaling \$94,259 on January 15, 2019.

In May 2017, the Company entered into a note receivable related to the sale of the Palo Verde franchise in the amount of \$150,000. The interest rate is 6% and requires payments of principal and interest in the amount of \$1,665 for one hundred twenty (120) months, with the first payment due July 1, 2017.

In October 2017, the Company reclassified receivables due from an existing franchisee to a \$296,235 note receivable. The interest rate is 6% and requires payments interest only for the first twelve (12) months in the amount of \$1,481, payments of principal and interest totaling \$2,500 for months thirteen (13) through twenty-four (24), \$3,500 for months twenty-five (25) through thirty-six (36), \$4,500 for months thirty-seven (37) through forty-eight (48), and \$5,500 for months forty-nine (49) through sixty (60), with the first payment due on November 1, 2017. On October 1, 2022, a balloon payment of the outstanding principal and interest is due totaling \$164,015.

In April 2018, the Company entered into a note receivable for cash due from an existing franchisee. The interest rate is 6% and required payments of \$5,000 for the first six (6) months and a balloon payment of \$74,721 on November 1, 2018.

In July 2018, the Company entered into a note receivable related to the sale of the Foster franchise in the amount of \$777,448. The interest rate is 6% and requires payments of principal and interest in the amount of \$8,000 for one hundred twenty (120) months, with the first payment due September 1, 2018 and a balloon payment of \$103,452 due on October 1, 2028.

In February 2019, the Company entered into a note receivable related to the sale of the Inland Valley and Commerce South franchises in the amount of \$800,000. The interest rate is 6% and requires payments of principal and interest in the amount of \$6,751 for sixty (60) months, with the first payment due April 1, 2019 and a balloon payment of \$608,073 due on March 31, 2024.

In February 2019, the Company entered into a note receivable related to the sale of the Tampa franchise in the amount of \$790,000. The interest rate is 6% and requires payments of principal and interest in the amount of \$18,771 for the first nine (9) months, payments of principal and interest of \$8,771 for months ten (10) through thirty-six (36), with the first payment due March 1, 2019 and a balloon payment of \$495,318 due on February 1, 2022. In February 2020, the note was amended due to the borrower defaulting on the note. The note amendment was entered into on February 17, 2020. The remaining balance due of \$709,587, the amended principal balance, requires payments of principal and interest in the amount of \$7,878 for thirty-six (36) months, with the first payment due March 1, 2020 and a balloon payment of \$539,264 due on February 1, 2023.

Note 4 – Intangibles

As required by the FASB Statement No. 142, *Goodwill and Other Intangible Assets*, in December 2002, the Company ceased amortizing amounts related to goodwill, the master franchise agreement and exclusive territory rights. The original costs of the goodwill, the master franchise agreement and the exclusive territory rights were \$975,835, \$450,000 and \$156,000, respectively. Amortization of goodwill, the master franchise agreement and the exclusive territory rights of \$242,911, \$114,895 and \$30,913 respectively, were expensed through November 30, 2002.

In accordance with the FASB ASC 350, *Intangibles – Goodwill and Other*, the fair value of the Company has been compared with the carrying value of its assets. The Company has determined that none of the goodwill, master franchise agreement or exclusive territory rights recorded were impaired at December 31, 2019, 2018 and 2017. The fair value of these intangible assets were determined using the market approach.

Effective December 2014, the Company adopted update 2014-02 to the *FASB ASC 350*, which allows an entity to take goodwill relating to each business combination or reorganization event resulting in fresh-start reporting (amortizable unit of goodwill) and amortize it on a straight-line basis over ten (10) years, or less than ten (10) years if the Company demonstrates that another useful life is more appropriate. Goodwill of the Company (or a reporting unit) shall be tested for impairment if an event occurs or circumstances change that indicates the fair value of the Company (or the reporting entity) may be below its carrying amount. The Company has taken the remaining goodwill associated with the purchase of the assets of Pirtek USA, Inc. in February 1998, and began to amortize it over a ten (10) year period effective December 1, 2014. Amortization expense of the goodwill totaled \$73,292, \$73,292 and \$73,292 for the years ended December 31, 2019, 2018 and 2017, respectively. Estimated amortization expense for each of the five (5) succeeding years is \$73,292.

The gross carrying amount and accumulated amortization of intangible assets subject to amortization was as follows:

December 31, 2019	Estimated Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Goodwill	10 years	\$ 975,834	\$ 615,479	\$ 360,355
Total		<u>\$ 975,834</u>	<u>\$ 615,479</u>	<u>\$ 360,355</u>
December 31, 2018	Estimated Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Goodwill	10 years	\$ 975,834	\$ 542,187	\$ 433,647
Total		<u>\$ 975,834</u>	<u>\$ 542,187</u>	<u>\$ 433,647</u>
December 31, 2017	Estimated Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Goodwill	10 years	\$ 975,834	\$ 468,895	\$ 506,939
Total		<u>\$ 975,834</u>	<u>\$ 468,895</u>	<u>\$ 506,939</u>

Pirtek USA, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Note 5 – Long-Term Notes Payable

Long-term notes payable consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Pirtek USA, LLC			
Note payable, related party, in relation to a member contribution agreement (see Transfers of Interest Note), originally payable in four quarterly interest only installments commencing March 2015 and sixteen quarterly principal installments of \$1,990,404, plus an amount equal to all interest accrued on the note through the date of payment, commencing March 2016 through December 2019, interest at 6%. The note is unsecured. In December 2019, the note maturity was extended through December 2024. Effective December 2015, this note was converted to quarterly interest only installments.	\$ 26,442,471	\$ 31,942,471	\$ 31,942,471
Pirtek Foster			
Four (4) notes payable, finance companies, with interest rates ranging from 4.24% to 4.42% payable in monthly installments ranging from \$675 to \$950 expiring at various dates from February 2017 through February 2020. Each note is secured by a specific vehicle.	-	-	80,208
Pirtek Inland Valley			
Three (3) notes payable, finance companies, with interest rates ranging from 3.99% to 4.39% payable in monthly installments ranging from \$543 to \$1,026 expiring at various dates from December 2017 through December 2021. Each note is secured by a specific vehicle.	-	-	51,301
One (1) note payable, finance companies, with interest rate of 4.39% payable in monthly installments of \$1,168 expiring in December 2021. The note is secured by a specific	-	38,123	-
Pirtek Commerce South			
One (1) note payable, finance companies, with an interest rate of 6.99% payable in monthly installments of \$784 expiring on January 14, 2022. The note is secured by a	-	24,209	31,857
Norfolk			
Three (3) notes payable, finance companies, with interest rates ranging from 4.04% to 5.00% payable in monthly installments ranging from \$507 to \$927 expiring at various dates through August 2022. Each note is secured by a specific vehicle.	-	-	<u>89,652</u>
Total notes payable	26,442,471	32,004,803	32,195,489
Less: current portion	-	<u>31,963,696</u>	<u>68,458</u>
Long-term portion	<u>\$ 26,442,471</u>	<u>\$ 41,107</u>	<u>\$ 32,127,031</u>

Note 5 – Long-Term Notes Payable, continued

Maturities on notes payable consist of the following:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ -
2021	-
2022	-
2023	-
2024	26,442,471
Thereafter	<u>-</u>
Total principal payments	<u>\$ 26,442,471</u>

Note 6 – Capital Leases

The Company's future minimum lease payments required under two capital equipment leases for each of the succeeding years ending December 31 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 246,810
2021	<u>77,238</u>
Total future minimum lease payments	324,048
Less: current portion	<u>246,810</u>
Long-term portion	<u>\$ 77,238</u>

The following is an analysis of the leased equipment under capital leases by major asset class:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Vehicles	\$ -	\$ 238,220	\$ 31,943
Computer hardware	324,048	549,463	25,621
Premium financing	-	21,292	-
Less: accumulated amortization	<u>(36,555)</u>	<u>(89,768)</u>	<u>(25,802)</u>
Net equipment under capital lease	<u>\$ 287,493</u>	<u>\$ 719,207</u>	<u>\$ 31,762</u>

Amortization of equipment held under capital leases included in depreciation and amortization expense totaled \$19,533, \$63,966 and \$12,794 for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 7 – Transfers of Interest

In accordance with the Company's limited liability company agreement, the membership interests of the Company shall be assignable in whole or in part. Unless otherwise approved by the members holding a majority interest, which consent may be granted or withheld in the sole discretion of such members, the assignee of a member's interest shall have no right to participate in the management of the business and affairs of the Company. An assignment of a membership interest shall entitle the assignee to share in such profits and losses, to receive such distribution or distributions, and to receive such allocation of income, gain, loss, deduction, or credit or similar item to which the assignor was entitled, to the extent assigned.

On December 19, 2014, Pirtek USA entered into multiple redemption agreements with certain members to purchase 81.59% of the total membership units outstanding. The redemption agreements for the units called for consideration of \$48,628,837 cash, a pro rata share of the November 30, 2014 undistributed net income, and an amount equal to the pro rata share of all net proceeds from any subsequent sale transactions involving the sale of Inland Valley and Commerce South. The pro rata share of the November 30, 2014 undistributed net income as described in the redemption agreements was calculated to be \$3,222,213. In connection with the redemption agreements, Pirtek USA entered into a contribution agreement with an entity related to the Company through common ownership to purchase the redeemed membership units. The contribution agreement called for the purchasing party to contribute to Pirtek USA \$16,686,366 as an equity capital contribution and \$31,942,471 as a note payable (see Long-Term Notes Payable Note).

As described in the Nature of Business Note, Inland Valley and Commerce South were sold in February of 2019 which resulted in payment to former members in the amount of \$725,310 for their pro rata share of net proceeds received from the sale. The payment to former members is included in other (expense) income in the accompanying consolidated statements of income.

Note 8 – Related Party Transactions

Included in current assets at December 31, 2019, 2018 and 2017, were \$97,404, \$174,980 and \$0, respectively, of non-interest bearing advances to entities related to the Company through common ownership.

Note 9 – Commitments and Contingencies

Real Estate Leases

In June 2018, Pirtek USA entered into a new operating lease with a related party for its new corporate headquarters in Rockledge, Florida. The lease commenced on October 1, 2018 and expires on September 30, 2033. Monthly rent under the lease is \$103,255 and is adjusted annually at a minimum rate of 3.0% or the consumer price index ("CPI"), whichever is greater. Pirtek USA is also responsible for 90% of total operating expenses.

Pirtek USA leased its former Rockledge, Florida corporate headquarters under two operating leases, both which expired during 2018. One lease expired on June 30, 2017 and was extended through June 30, 2018. The second lease commenced April 1, 2014, expired on September 30, 2016, and was subsequently extended to December 31, 2018. Base monthly rentals were adjusted at a specified date each year based on changes in the CPI and were \$0, \$95,417 and \$17,880 at December 31, 2019, 2018 and 2017, respectively. Maintenance, utilities, taxes and insurance are the responsibility of the Company.

Note 9 – Commitments and Contingencies, continued

Real Estate Leases, continued

Inland Valley leases its Ontario, California location under two operating leases. The first lease called for base monthly rentals of \$1,700 and expired on October 1, 2015, at which time it went month-to-month. On September 19, 2016, an addendum was signed to extend the lease at the new base rental of \$1,900 per month. This extension expired on October 1, 2019 and was the responsibility of the Company through January 31, 2019 due to the sale. The second lease for additional space was entered into during the year ended November 30, 2015, and expired on October 31, 2017. The second lease was extended through October 31, 2019 however was terminated early on December 31, 2018. Base monthly rentals are \$1,500 for the duration of this new lease. A prorated portion of maintenance, utilities, taxes, and insurance for both leases are the responsibility of the Company through January 2019.

Commerce South leases its Commerce, California location under an operating lease that was set to expire on July 1, 2013. The base monthly rental amount was \$2,975 through June 2012; increasing to \$3,150 for the remaining term of the lease. This lease was amended on June 26, 2013 and extended the term of the lease through June 30, 2016. The base monthly rental amount is \$3,325 through June 30, 2014; \$3,500 through June 30, 2015; increasing to \$3,675 for the remaining term of the lease. This lease was amended on July 1, 2017 and extended the term of the lease through June 30, 2018 and was the responsibility of the Company through January 31, 2019 due to the sale. The base monthly rental was increased to \$4,200 through December 31, 2017 and to \$4,550 through June 30, 2018. A prorated portion of maintenance, utilities, taxes and insurance were the responsibility of the Company through January 2019.

Foster leases its Nashville, Tennessee location under an operating lease that expires on October 31, 2020. The base monthly rental amount is \$2,850 through September 2016; \$2,950 through September 2017; \$3,050 through September 2018; \$3,150 through September 2019; and \$3,250 through October 2020. A prorated portion of maintenance, utilities, taxes, and insurance were the responsibility of the Company through June 2018.

Palo Verde previously, until sold in May 2017, leased its Tucson, Arizona location under an Assignment and Assumption of Lease effective May 16, 2016 that expired July 31, 2019. The original lease commenced on May 1, 2014. The base monthly rental amount was \$2,575. A prorated portion of maintenance, utilities, taxes, and insurance were the responsibility of the Company through May 2017.

Norfolk leases its Virginia Beach, Virginia location under an operating lease that expires on July 14, 2022. The base monthly rental amount is \$2,100. A prorated portion of maintenance, utilities, taxes and insurance were the responsibility of the Company through May 2018.

Tampa leases its Tampa, Florida location through an Assignment and Assumption of Lease effective May 3, 2018. The lease expires on April 30, 2020. The base monthly rental amount is \$1,900 through April 30, 2019 and then \$1,957 through the end of the lease. A prorated portion of maintenance, utilities, taxes and insurance were the responsibility of the Company through January 2019.

In January 2019, Pirtek USA entered into an operating lease with a related party for the use of a residential unit located in Melbourne, Florida. The unit is intended to be used for temporary employee housing. The lease commenced on January 1, 2019. The base monthly rental amount is \$6,250 through December 31, 2020. On the expiration date of December 31, 2020, the lease goes month to month.

Note 9 – Commitments and Contingencies, continued

Real Estate Leases, continued

In August 2019, Pirtek USA entered into an operating lease with a related party for the use of a residential unit located in Indiatlantic, Florida. The unit is intended to be used for temporary employee housing. The lease commenced on August 1, 2019. The base monthly rental amount is \$5,550 through July 31, 2022.

Rent expense charged to operations on the above leases totaled \$1,419,051, \$817,650 and \$533,499 for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company's future minimum rental payments required under real estate leases for each of the succeeding years ending December 31 are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2020	\$ 1,415,338
2021	1,378,569
2022	1,387,072
2023	1,389,024
2024	1,430,700
Thereafter	<u>14,659,549</u>
Total future minimum rental payments	<u>\$ 21,660,252</u>

Vehicle Leases

The Company leases multiple vehicles under operating leases that expire at various dates from March 2016 through November 2024. Vehicle rent expense charged to operations totaled \$29,937, \$27,680 and \$35,799 for the years ended December 31, 2019, 2018 and 2017, respectively.

The Company's future minimum rental payments required under vehicle leases for each of the succeeding years ending December 31 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 41,780
2021	31,498
2022	29,472
2023	23,734
2024	<u>16,497</u>
Total future minimum rental payments	<u>\$ 142,981</u>

Employee Benefit Plan

The Company sponsors a 401(k) plan for all qualifying employees. All employees meeting certain age and service requirements are eligible to participate in the plan. Eligible employees are allowed to defer up to 25% of their salaries as contributions, subject to Internal Revenue Code maximum limitations. The Company may also make matching contributions at its discretion. Company contributions to the plan totaled \$23,019, \$22,563 and \$19,617 for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 9 – Commitments and Contingencies, continued

Litigation

From time to time, the Company may become subject to threatened and/or asserted claims arising in the ordinary course of business. Management provides provisions for these items to the extent that the losses are deemed both probable and reasonably estimable. There have been no provisions recorded for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 10 – Income Taxes

Under the provisions of Accounting for Income Taxes, the Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. At December 31, 2019, 2018 and 2017, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Income tax expense consist of the following at December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current tax expense:			
Federal tax	\$ 1,311,350	\$ 605,288	\$ 1,915,081
States tax	<u>248,078</u>	<u>25,593</u>	<u>99,549</u>
Total current tax expense	1,559,428	630,881	2,014,630
Deferred tax (benefit) expense	<u>(187,930)</u>	<u>774,164</u>	<u>(256,182)</u>
Total income tax expense	<u>\$ 1,371,498</u>	<u>\$ 1,405,045</u>	<u>\$ 1,758,448</u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities consist of the following at December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Deferred income tax asset	\$ 198,091	\$ 150,538	\$ 180,759
Deferred income tax valuation allowance	-	-	-
Deferred income tax liability	<u>(837,268)</u>	<u>(1,159,599)</u>	<u>(412,549)</u>
Net deferred income tax liability	<u>\$ (639,177)</u>	<u>\$ (1,009,061)</u>	<u>\$ (231,790)</u>

Note 11 – Concentrations

The Company had three (3) vendors that accounted for approximately 61% of its products purchased for the year ended December 31, 2019, two (2) vendors that accounted for approximately 65% of its products purchased for the year ended December 31, 2018, and two (2) vendors that accounted for approximately 65% of its products purchased for the year ended December 31, 2017. Accounts payable to these vendors totaled \$687,865, \$906,754 and \$1,000,160 at December 31, 2019, 2018 and 2017, respectively. The Company purchases goods from these foreign vendors and pays for the goods at a later date (see Summary of Significant Accounting Policies Note). The exchange rate may change during that period.

Pirtek USA, LLC and Subsidiaries
Notes to Consolidated Financial Statements

Note 12 – Franchising

Revenue and costs consist of the following:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Company-owned stores:			
Revenue, initial fees, and other income	\$ 250,916	\$ 3,470,139	\$ 3,771,090
Costs and expenses	<u>(716,452)</u>	<u>(2,503,414)</u>	<u>(3,834,321)</u>
(Loss) income - company-owned stores	<u>\$ (465,536)</u>	<u>\$ 966,725</u>	<u>\$ (63,231)</u>
Franchise, product and fees:			
Revenue, initial fees and other income	\$ 24,234,572	\$ 21,415,339	\$ 20,837,865
Costs and expenses	<u>(19,733,396)</u>	<u>(17,776,650)</u>	<u>(17,414,221)</u>
Income - franchise, product and fees	<u>\$ 4,501,176</u>	<u>\$ 3,638,689</u>	<u>\$ 3,423,644</u>

Information about the number of Company-owned and franchised stores is as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Company-owned stores:			
Opened	0	2	1
Sold or converted	4	2	1
In operation as of year-end	0	4	4
Franchised stores:			
Opened	11	4	13
Sold	0	0	0
Converted from (to) company-owned, net	4	2	1
Terminated	0	2	1
In operation as of year-end	89	74	70

Note 13 – Subsequent Event

On January 8, 2020, Pirtek USA organized WABU, LLC (“WABU”). WABU is a limited liability company organized under the laws of the State of Florida and is a wholly-owned subsidiary of Pirtek USA. On January 21, 2020, WABU acquired six (6) Pirtek centers, d/b/a Pirtek Ft. Myers, Pirtek Lakeland, Pirtek Ocala, Pirtek Pensacola, Pirtek Sarasota and Pirtek Tallahassee for a purchase price of \$1,503,431.

EXHIBIT 4

Franchisee and Franchisee Termination Lists

**If you buy this franchise, your contact information may be disclosed to other buyers
when you leave the franchise system.**

ALABAMA

PIRTEK HUNTSVILLE

David Burns & Jason McGee
Mobile Only
Location: TBD
Phone: 256-530-6055

ARIZONA

PIRTEK PALO VERDE

Ron Trombetti
3455 S. Palo Verde Rd., #117
Tucson, AZ 85713
Phone: 520-838-0199
Fax: 520-838-0104

PIRTEK SKY HARBOR

Stu Bartlett
5002 S 40th Street, Ste A
Phoenix, AZ 85040
Phone: 602-414-4673
Fax: 602-414-2488

CALIFORNIA

PIRTEK COMMERCE SOUTH

Kelly Curran
7250 Bandini Blvd., #101
Commerce, CA 90040
Phone: 323-724-6737
Fax: 323-724-6739

PIRTEK CORONA

Kelly Curran
Mobile Only
Location: TBD
Phone: 657-216-1600
Fax: None

PIRTEK INLAND VALLEY

Kelly Curran
909 S. Cucamonga Ave., #101
Ontario, CA 91761
Phone: 909-773-1700
Fax: 909-773-1707

PIRTEK LONG BEACH

Paul & Marian Martin
3299 Walnut Ave
Signal Hill , CA 90755
Phone: 562-426-9219
Fax: 562-426-9261

PIRTEK OC

Kelly Curran
1450 Katella Avenue
Orange, CA 92867
Phone: 657-216-1600
Fax: None

PIRTEK POWER INN

Doug Mack
4191 Power Inn Rd, Ste D
Sacramento, CA 95826
Phone: 916-737-7777
Fax: 916-737-7725

PIRTEK SAN LEANDRO

Dan Currid
1997 Burroughs Ave.
San Leandro, CA 94577
Phone: 510-568-5000
Fax: 510-568-5009

PIRTEK SFO

Jim Hart
601 Airport Blvd, Unit A
South San Francisco, CA 94080
Phone: 650-532-9200
Fax: 650-532-9201

COLORADO

PIRTEK NOCO

Rick Ramus
Mobile Only
Location TBD
Phone: 844-221-2121
Fax: 970-233-0818

PIRTEK NORTH VALLEY

Carl Jones
80 E 64th Avenue, Suite C
Denver, CO 80221
Phone: 303-487-0573
Fax: 303-487-0716

PIRTEK SOUTH VALLEY

Carl Jones
6770 S. Dawson Circle, Ste. 300
Centennial, CO 80112
Phone: 720-377-2171
Fax: 720-377-2174

FLORIDA

PIRTEK ALTAMONTE SPRINGS

David Herbert
285 W. Central Pkwy., #1722
Altamonte Springs, FL 32714
Phone: 407-389-8989
Fax: 407-869-1089

PIRTEK DAYTONA

Dan & Karin Ferretti
2841 S. Nova Rd., #8
South Daytona, FL 32119
Phone: 386-947-7222
Fax: 321-504-7665

PIRTEK DORAL

Carlos Shortt
7962 NW 14th Street
Doral, FL 33126
Phone: 305-697-9951
Fax: 786-485-3869

PIRTEK FT. LAUDERDALE

Carlos Shortt
Mobile Only
Location: TBD
Phone: 954-519-2124
Fax: 786-485-3869

PIRTEK FT. MYERS

Sarah Hazel
Mobile Only
Location: TBD
Phone: 800-963-2136
Fax: 941-451-2829

PIRTEK LAKELAND

Sarah Hazel
4300 Frontage Rd S.
Lakeland, FL 33815
Phone: 800-963-2136
Fax: 941-451-2829

PIRTEK OCALA

Sarah Hazel
Mobile Only
Location TBD
Phone: 800-963-2136
Fax: 941-451-2829

PIRTEK ORLANDO

Robert Khoury
1820 S. Division Avenue
Orlando, FL 32805
Phone: 407-843-3322
Fax: 407-843-2830

PIRTEK PALM BEACH

Sam Belin
Mobile Only
Location: TBD
Phone: 561-815-3026
Fax: 321-613-5534

PIRTEK PENSACOLA

Sarah Hazel
Mobile Only
Location: TBD
Phone: 800-963-2136
Fax: 941-451-2829

PIRTEK PHILLIPS HWY

Steve Goulette
6000 Phillips Hwy, Ste 7
Jacksonville, FL 32216
Phone: 904-647-6533
Fax: 904-647-6539

PIRTEK PINELLAS

David Herbert
Mobile Only
Location: TBD
Phone: 813-247-6139
Fax: 813-247-6168

PIRTEK SARASOTA

Sarah Hazel
1577 Cattleman Road
Sarasota, FL 34232
Phone: 800-963-2136
Fax: 941-451-2829

PIRTEK SPACE COAST

Dan & Karin Ferretti
1265 US Highway 1
Rockledge, FL 32955
Phone: 321-504-6006
Fax: 321-504-7665

PIRTEK TALLAHASSEE

Sarah Hazel
301-A Commerce Blvd
Midway, FL 32343
Phone: 850-544-5891
Fax: 941-451-2829

PIRTEK TAMPA

David Herbert
1502 North 34th St.
Tampa, FL 33605
Phone: 813-247-6139
Fax: 813-247-6168

GEORGIA

PIRTEK ALPHARETTA

Mike McCarthy
Mobile Only
Location: TBD
Phone: 470-799-1389
Fax: None

PIRTEK DOBBINS

Mike McCarthy
1400 South Marietta Pkwy, Suite 110
Marietta, GA 30067
Phone: 678-244-2790
Fax: 678-831-4503

PIRTEK CARTERSVILLE

Matthew Gary
Mobile Only
Location TBD
Phone: 770-305-6126
Fax: 770-305-6658

PIRTEK NORCROSS

Mike McCarthy
2600 Pleasantdale Road, Ste 1
Atlanta, GA 30340
Phone 770-209-9494
Fax 770-209-9931

PIRTEK RED OAK

Mike Nagle
3452 Buffington Center, Ste A
Atlanta, GA 30349
Phone: 404-835-6960
Fax: 404-835-6963

ILLINOIS

PIRTEK BOLINGBROOK

Ken Adair
181 W. Crossroads Pkwy, Unit C
Bolingbrook, IL 60440
Phone: 630-755-5700
Fax: 847-640-7793

PIRTEK GURNEE

Ken Adair
Mobile Only
Location TBD
Phone: 847-553-4224
Fax: 847-640-7793

PIRTEK MCKINLEY PARK

Ken Adair
3440 S. Ashland Ave
Chicago, IL 60608
Phone: 773-526-4673
Fax: 773-526-7388

PIRTEK O'HARE

Ken Adair
1499 Tonne Road
Elk Grove Village, IL 60007
Phone: 847-640-7789
Fax: 847-640-7793

PIRTEK ROCKFORD

Robert Banaszak
Mobile Only
Location: TBD
Phone: 815-676-0960
Fax: None

PIRTEK SOUTH HOLLAND

Ken Adair
17077-A Westview Ave.
South Holland, IL 60473
Phone: 708-339-4673
Fax: 708-339-0945

INDIANA

PIRTEK PERRY

Ian Harley
2154 South Lynhurst Dr.
Indianapolis, IN 46241
Phone: 317-252-0120
Fax: 317-252-0379

PIRTEK PIKE

Ian Harley
4219 West 96th St.
Indianapolis, IN 46268
Phone: 317-252-0120
Fax: 317-252-0379

LOUISIANA

PIRTEK ELMWOOD

Carl Prince
5229 River Road
Elmwood, LA 70123
Phone: 504-518-4321
Fax: 504-518-4772

MARYLAND

PIRTEK ROCKVILLE

David Entwistle
14803 Southlawn Lane, Ste A
Rockville, MD 20850
Phone: 301-910-4673
Fax: 301-710-6949

MASSACHUSETTS

PIRTEK AVON

Mark Rudnik & Michael Dello Russo
33 Wales Avenue Unit H
Avon, MA 02322
Phone: 508-584-9595
Fax: 508-584-2868

MICHIGAN

PIRTEK GRAND RAPIDS

Oliver Romano
3504 Roger B. Chaffee Memorial Dr.
Grand Rapids, MI 49548
Phone: 888-747-8351
Fax: 888-787-5377

PIRTEK MADISON HEIGHTS

Eli Dorfman
25363 Dequindre Road
Madison Heights, MI 48071
Phone: 248-336-8000
Fax: 248-336-8400

PIRTEK STERLING HEIGHTS

Eli Dorfman
40020 Mound Rd.
Sterling Heights, MI 48310
Phone: 586-276-9100
Fax: 586-276-9400

PIRTEK WESTLAND

Eli Dorfman
28540 Van Born Road
Westland, MI 48186
Phone: 734-728-7000
Fax: 734-641-7400

PIRTEK WIXOM

Eli Dorfman
46985 Enterprise Court, A-300
Wixom, MI 48393
Phone: 517-544-4300
Fax: 517-544-0410

MINNESOTA

PIRTEK BURNSVILLE

Mike & Mary Johnson
1409 Cliff Road E
Burnsville, MN 55337
Phone: 952-895-5400
Fax: 952-895-5401

PIRTEK MIDWAY

Craig Heitkamp
2125 Energy Park Dr.
St. Paul, MN 55108
Phone: 651-641-1414
Fax: 651-641-0707

PIRTEK PLYMOUTH

Craig Heitkamp
11350 Hwy 55
Plymouth, MN 55441
Phone: 763-475-0475
Fax: 763-551-9081

MISSOURI

PIRTEK FENTON

Richard Armstrong
316 Axminister Drive
Fenton, MO 63026
Phone: 636-600-1981
Fax: 636-600-9036

PIRTEK OVERLAND

Jared Gross
9425 Dielman Rock Island Ind Dr.
Olivette, MO 63132
Phone: 314-423-4600
Fax: 314-428-2470

PIRTEK ST. LOUIS

Jared Gross
Mobile Only
Location: TBD
Phone: 314-423-4600
Fax: 314-428-2470

NEW JERSEY

PIRTEK NEWARK

Ramdas Iyer
701-A Springfield Road South
Kenilworth, NJ 07033
Phone 908-624-9990
Fax 908-624-1232

PIRTEK S. BRUNSWICK

Ramdas Iyer
2553 US Highway 130, Suite 1
Cranbury, NJ 08512
Phone: 732-940-7333
Fax: 732-940-7334

NEW YORK

PIRTEK BRONX

Asim Iqbal
Mobile Only
Location: TBD
Phone: 917-828-2499
Fax: None

NORTH CAROLINA

PIRTEK GASTONIA

Viresh Sitapara
1101 West Franklin Blvd
Gastonia, NC 28052
Phone: 980-320-8484
Fax: 980-320-8485

PIRTEK SOUTH END

Mike McArdle
1515 South Mint Street
Charlotte, NC 28203
Phone: 704-342-1677
Fax: 704-342-1678

PIRTEK PIEDMONT TRIAD

Phil Kusiak
104-F Medowood Street
Greensboro, NC 27409
Phone: 336-369-2600
Fax: 336-369-2601

OHIO

PIRTEK READING ROAD

Floyd Mays
3478 Hauck Rd.
Cincinnati, OH 45241
Phone: 513-948-1242
Fax: 513-948-0701

PIRTEK VALLEY VIEW

Bill Hubbell
5541 Canal Road
Valley View, OH 44125
Phone: 216-524-5000
Fax: 216-524-5103

PENNSYLVANIA

PIRTEK MONROEVILLE

Matt & Kathy Valkovic
125 Seco Road, Ste 3
Monroeville, PA 15146
Phone 412-373-9720
Fax 412-373-9733

PIRTEK SOUTH PHILADELPHIA

Ken Adair
31 Industrial Highway
Essington, PA 19029
Phone: 610-586-2290
Fax: 610-586-5886

SOUTH CAROLINA

PIRTEK COLUMBIA

Jason & Korina Barrs
Mobile Only
Location: TBD
Phone: 803-814-4046
Fax: None

TENNESSEE

PIRTEK CHATTANOOGA

Matthew Gary
Mobile Only
Location: TBD
Phone: 423-475-6230
Fax: 833-918-0614

PIRTEK FOSTER

Matthew Mejia
13300 Foster Ave., Ste. 100
Phone: 615-326-1300
Fax: 615-326-1301

TEXAS

PIRTEK BAYTOWN

Dean & Lisa Akin
4308-A Garth Rd.
Baytown, TX 77521
Phone: 281-837-7203
Fax: 281-837-7816

PIRTEK BELTWAY NORTH

Alison & Thomas Abercrombie
Mobile Only
Location: TBD
Phone: 713-649-3801
Fax: 713-649-3802

PIRTEK BROADWAY

Dean & Lisa Akin
9008 Broadway Street
San Antonio, TX 78217
Phone: 210-822-0800
Fax: 210-822-0803

PIRTEK GULFGATE

John Abercrombie
6205 Brookhill Drive #1
Houston, TX 77087
Phone: 713-649-3800
Fax: 713-649-3802

PIRTEK LOVE FIELD

Jim Lager
3131 Irving Blvd. Ste. 600
Dallas, TX 75247
Phone: 214-631-8600
Fax: 214-631-8601

PIRTEK MEACHAM

Jim Lager
5317 Superior Parkway #221
Ft. Worth, TX 76106
Phone: 817-989-6425
Fax: 214-631-8601

PIRTEK NORTHWEST CROSSING

Dean & Lisa Akin
13230 Hempstead Rd., Ste. 306
Houston, TX 77040
Phone: 281-741-2979
Fax: 281-741-8392

PIRTEK PEARLAND

Dean & Lisa Akin
Mobile Only
Location: TBD
Phone: 713-572-5439
Fax: 281-741-8392

PIRTEK PLANO SOUTH

Ed Loutherback
811 E Plano Pkwy, Ste 121
Plano, TX 75074
Phone: 972-423-1111
Fax: 972-633-1719

PIRTEK RIVERSIDE

Dean & Lisa Akin
Mobile Only
Location: TBD
Phone: 512-448-0800
Fax: 210-822-0803

UTAH

PIRTEK CLEARFIELD

Todd Miceli
1068 W 350 S., Ste E.
Syracuse, UT 84075
Phone: 385-429-8377
Fax: 801-419-0482

PIRTEK SALT LAKE CITY

Todd Miceli
3228 South 900 W
South Salt Lake, UT 84119
Phone: 801-419-0482
Fax: 801-419-0482

VIRGINIA

PIRTEK NORFOLK

Jeff & Debra Ohstrom
5760 Northhampton Blvd. #104
Virginia Beach, VA 23455
Phone: 757-460-4673
Fax: 757-460-8787

PIRTEK WEST END

Suchit Gandhi
2115 Dabney Road
Richmond, VA 23230
Phone: 804-442-7140
Fax: 804-308-9959

WASHINGTON

PIRTEK KENT

Gregory Shideler
22018 68th Avenue South
Kent, WA 98032
Phone: 253-872-4646
Fax: 253-872-4889

PIRTEK SEATTLE

Gregory Shideler
Mobile Only
Location: TBD
Phone: 253-872-4646
Fax: 253-872-4889

PIRTEK WOODINVILLE

Chad Harkness
16140 Woodinville-Redmond Rd NE
Suite 8
Woodinville, WA 98072
Phone: 425-486-6653
Fax: 425-486-6693

WISCONSIN

PIRTEK MADISON

Dan & Dylan Rausch
3654 Copps Ave.
Monoma, WI 53716
Phone: 833-623-4673
Fax: 833-623-4673

PIRTEK MENOMONEE FALLS

Tom Fechter
W140 N5955 Lilly Road
Menomonee Falls, WI 53051
Phone: 262-345-9900
Fax: 262-345-9901

**FRANCHISEES WHO SIGNED AGREEMENTS BUT WERE NOT OPERATIONAL AS OF
DECEMBER 31, 2019**

Stuart Morrison

Grand Prairie, TX

Phone: (469) 460-7100

David Entwistle

Prince George's, MD

Phone: (301) 910-4673

Michael Nagle

Lawrenceville, GA

Phone: (404) 835-6960

COMPANY OWNED LOCATIONS AS OF DECEMBER 31, 2019

None.

**LIST OF FRANCHISEES WHO CEASED TO DO BUSINESS UNDER THE FRANCHISE AGREEMENT,
OR HAD AN OUTLET TERMINATED, CANCELLED OR NOT RENEWED AS OF DECEMBER 31, 2019**

None

**FRANCHISEES WHO HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF THE
ISSUANCE DATE**

None

LIST OF TRANSFERS AS OF DECEMBER 31, 2019

PIRTEK Bakken

Phone: 651-641-1414

From: Westside Hose Company LLC

To: DL Akin Hydraulics LLC

PIRTEK Orlando

Phone: 407-884-7852

From: Zelznak Inc

To: Hydraulic Hose Solutions LLC

PIRTEK Overland

Phone: 314-574-3050

From: St. Louis Hydraulics Inc

To: Gross Hydraulics LLC

PIRTEK Palo Verde

Phone: 623-695-5019

From: Southwest Hydraulics Inc

To: Cassino Holdings LLC

PIRTEK South Philadelphia

Phone: 321-377-2256

From: Mid Atlantic Hose Center LLC

To: Southland Hose Inc

**If you buy this franchise, your contact information may be disclosed to other buyers
when you leave the franchise system.**

EXHIBIT 5

FORM CONFIDENTIALITY AGREEMENT

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is made this ____ day of _____, _____ between PIRTEK USA LLC., a Delaware limited liability company with its principal place of business at 300 Gus Hipp Boulevard, Rockledge, Florida 32955 (hereinafter “Company”), and the person, persons or entity whose name, address and signature are written below (hereinafter “Recipient”).

WHEREAS, under master franchise rights granted to Company by PIRTEK Fluid System Pty. Ltd (“PFS”), the head franchisor based in Australia, Company has the right to grant franchises to qualified persons for the right to own and operate a “PIRTEK” hose service center business utilizing unique methods of conducting the business of selling, assembling and installing industrial hydraulic hoses, fixed tube assemblies, fittings and related components under certain proprietary names, trade names, service marks and trademarks (the “PIRTEK System”);

WHEREAS, Recipient desires to evaluate a franchise from Company to operate a hose service center business using the PIRTEK System (a “PIRTEK Business”);

WHEREAS, in connection with this evaluation, Recipient wishes to obtain certain confidential and proprietary information regarding the PIRTEK System and the PIRTEK Business, which includes, but is not limited to, the Operations Manual, processes, materials, methods, techniques and other data (the “Confidential Information”), from Company which will assist Recipient in the evaluation of a PIRTEK Business, and

WHEREAS, Company is willing to disclose certain of its Confidential Information to Recipient, but only on the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and Recipient agree as follows:

1. OBLIGATIONS

1.1 Confidential Information. The Confidential Information shall be kept confidential by Recipient and Recipient’s representatives and except with the specific prior written consent of Company, or as otherwise permitted by the terms hereof, will not be reproduced, distributed or disclosed by Recipient, or by Recipient’s agents, representatives or employees, in any manner whatsoever, in whole or in part, and shall not be used by Recipient, Recipient’s agents, representatives or employees, for any reason or purpose other than in connection with evaluating whether to enter into a Franchise Agreement with Company. Moreover, Recipient agrees to reveal the Confidential Information only to its agents, representatives and employees who need to know the Confidential Information for the purpose of evaluating whether to enter into a Franchise Agreement with Company, who are informed by Recipient of the nature of the Confidential Information and who agree in writing to be bound by the terms and conditions of this Agreement. Recipient agrees to take all reasonable measures to restrain Recipient’s agents, representatives and employees from unauthorized disclosure or use of the Confidential Information.

1.2 Company Ownership. Recipient acknowledges that the Confidential Information is owned by Company and Recipient shall never challenge or contest Company’s exclusive ownership of the Confidential Information.

1.3 No Rights Granted. Nothing contained in this Agreement shall be construed as granting or conferring any rights in Recipient to obtain a Franchise Agreement from Company, or to any other

rights, expressly or impliedly, or otherwise, for any information, invention, discovery, or improvement made, conceived, or acquired prior to or after the date of this Agreement.

1.4 Return of Confidential Information. If Recipient determines that it does not wish to enter into a Franchise Agreement with Company, Recipient shall promptly notify Company of such decision. At such time, or at any other time upon the written request of Company, Recipient shall promptly deliver to Company all documents or other matter furnished by Company or its representatives or agents to Recipient or Recipient's representatives constituting Confidential Information, together with all copies thereof in the possession of Recipient or Recipient's representatives without retaining a copy of any such material. In the event of such request, all other documents or other matter constituting Confidential Information in the possession of Recipient or Recipient's representatives shall be destroyed, with any such destruction confirmed by Recipient in writing to Company.

2. INDEMNIFICATION

Recipient shall indemnify and hold harmless Company, its affiliates, officers, directors, agents and employees for any damage, loss, cost or liability (including reasonable legal fees and reasonable out-of-pocket costs and expenses incurred in enforcing or seeking remedies for the breach of any provision of this Agreement), arising out of or resulting from any unauthorized use or disclosure of the Confidential Information by Recipient or Recipient's agents, representatives or employees, and Recipient specifically agree that, in addition to any other remedies that Company and its affiliates may have at law or in equity, such parties shall be entitled, without the requirement of posting a bond or other security, to seek equitable relief including, without limitation, injunctive relief and specific performance.

3. GENERAL PROVISIONS

3.1 No Fiduciary Relationship. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them; and that nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

3.2 Notice. All notices pursuant to this Agreement shall be in writing and delivered personally or by a reputable overnight delivery service, or deposited in the United States mail, service or postage prepaid. Until changed by written notice to the other party, notices to each party must be addressed as follows:

Notices to Company:	PIRTEK USA LLC 300 Gus Hipp Boulevard Rockledge, Florida 32955 Attn: President
---------------------	---

Notices to Recipient:	See Address below for each Recipient. Notice to any one Recipient shall be deemed notice to all Recipients.
-----------------------	---

3.3 Entire Agreement. This Agreement and the documents referred to herein constitute the entire Agreement between Company and Recipient concerning the subject matter hereof and supersede all prior agreements, negotiations, representations, and correspondence concerning the same subject matter.

3.4 Jurisdiction and Venue. It is hereby agreed that any and all claims, disputes or controversies whatsoever arising from or in connection with this Agreement shall be commenced, filed and litigated in the judicial district in which Rockledge, Florida is located, unless the conduct of such litigation is not within the subject matter jurisdiction of the court of such district. The parties waive all

questions of personal jurisdiction, convenience of forum and venue for purposes of carrying out this provision.

3.5 Jury Trial Waiver.

COMPANY AND RECIPIENT IRREVOCABLY WAIVE TRIAL BY JURY, REGARDLESS OF THE FORUM, IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER OF THEM AGAINST THE OTHER IN CONNECTION WITH THIS AGREEMENT.

3.6 Governing Law. In order to effect uniform interpretation of the Agreement, this Agreement and all disputes or controversies arising or related hereto shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law question, the law of Florida shall prevail, without regard to the application of Florida conflict of law rules.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the date and year first above written.

“COMPANY”

PIRTEK USA LLC

By: _____
Name: _____
Title: _____

“RECIPIENT”

By: _____
Name: _____
Title: _____
Address _____

“RECIPIENT”

By: _____
Name: _____
Title: _____
Address _____

EXHIBIT 6

Form Franchise Renewal Addendum

RENEWAL ADDENDUM AND GENERAL RELEASE

This ADDENDUM is made and entered into by and among PIRTEK USA, LLC (“we,” “us” or “PIRTEK”), _____, (“Franchisee”) and _____ (“Guarantor”) (Franchisee and Guarantor collectively referred to as “you” or “Franchisee Parties”). This Addendum is effective on the date we sign below (the “Effective Date”).

INTRODUCTION

A. PIRTEK and Franchisee are parties to a PIRTEK® Franchise Agreement dated _____ (the “Original Agreement”), under which Franchisee was granted the right to operate a PIRTEK business located at _____ (the “Business”). The Original Agreement will expire on _____.

B. Franchisee desires to renew the franchise rights for the Business (the “Renewal”) and, under the terms of the Original Agreement, has agreed to enter into PIRTEK’s current form of franchise agreement (the “Current Franchise Agreement”).

C. PIRTEK hereby agrees to the Renewal, subject to the following terms and conditions.

AGREEMENTS

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Signing of Current Franchise Agreement. As a condition of Franchisor’s consent to the Renewal, Franchisee agrees to sign Franchisor’s Current Franchise Agreement. Franchisee acknowledges that the terms and conditions of the Current Franchise Agreement may differ from the terms and conditions of the Original Agreement, including with respect to the payment of continuing license fees, marketing fees and other fees. Prior to the Effective Date, Franchisee must deliver to Franchisor two signed copies of the Current Franchise Agreement.
2. Termination of the Original Agreement. The Original Agreement and all rights and obligations thereunder are terminated, as of the Effective Date, with no further force and effect, except for the obligations set forth in this Agreement and Franchisee’s indemnification obligations set forth in Section 10.B of the Original Agreement which are incorporated herein by reference. As of the Effective Date, the Current Franchise Agreement will be in effect as part of the Renewal.
3. Payment of Amounts Due to PIRTEK. On or before the Effective Date of this Agreement, Franchisee will pay all past due amounts and owing to PIRTEK (the “Past Due Amount”). As of the Effective Date, the Past Due Amount is \$ _____.

4. Payment of Renewal Fee. On or before the Effective Date, Franchisee must pay PIRTEK a renewal fee in the amount of \$_____.
5. Representations and Acknowledgments.
 - A. Franchisee represents and warrants to PIRTEK that it has secured possession of the Business premises for the duration of the Renewal or will be able to secure possession of the Business premises.
 - B. Franchisee represents and warrants to PIRTEK that, within six months after the Effective Date, it will make such capital expenditures as necessary to refurbish, replace, and modernize the Business to conform to PIRTEK's current standards for Businesses generally. PIRTEK may complete a QVC report within 3 months of this agreement outlining what needs to be completed. Franchisee agrees to complete these requirements within the six-month time frame.
 - C. Franchisee agrees for the entirety of the new Franchise Agreement to correctly use PIRTEK's marks, uniforms and signage.
 - D. In the event this Addendum is signed as part of Franchisee's first renewal, Franchisee acknowledges and agrees that it has one remaining 10 year renewal term.
6. Consent to Renewal. PIRTEK consents to the Renewal in accordance with the terms and conditions of this Agreement.
7. Release and Settlement of Claims.
 - A. Franchisee Parties, and each of their respective heirs, successors, assigns, affiliates, shareholders, directors, employees, and agents, and on behalf of any other party claiming an interest through them (collectively and individually referred to as the "Franchisee Releasing Parties" for purposes of this Section 7), release and forever discharge us, our predecessors, successors, affiliates, directors, officers, shareholders, agents, employees and assigns (collectively and individually referred to as the "Franchisor Parties" for purposes of this Section 7) of and from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which Franchisee Releasing Parties may now or in the future own or hold, that in any way relate to the Original Agreement, any other agreement between Franchisee Parties and us, the Business, or the relationship between Franchisee Parties and us through the Effective Date (collectively, "Claims"), for known or unknown damages or other losses including, but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Original Agreement or any other

related agreement between Franchisee Parties and us through and including the Effective Date of this Agreement.

Franchisee Releasing Parties and Franchisor Parties acknowledge and agree that the release of Claims in this Section 7.A does not relate to the offer and sale of the Current Franchise Agreement.

- B. Except as otherwise noted herein, Franchisor Parties hereby release Franchisee Releasing Parties from any Claims through and including the Effective Date of this Agreement.

Franchisee Releasing Parties and Franchisor Parties acknowledge and agree that the release of Claims in this Section 7.B does not relate to the offer and sale of the Current Franchise Agreement. Further, the Franchisor Releasing Parties do not release the Franchisee Parties from any obligations arising out of this Agreement, including without limitation, Sections 3-5 above.

- C. The releases of Claims set forth in Sections 7.A and 7.B are intended by the Franchisee Releasing Parties and Franchisor Parties (collectively, the “Releasers” for purposes of this Section 7.C) to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of one of the Releasers against the other Releaser regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Releasers acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Releasers’ respective intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. The Releasers acknowledge that they have had adequate opportunity to gather all information necessary to enter into this Agreement and Release and need no further information or knowledge of any kind that would otherwise influence the decision to enter into this Agreement. This Release is and shall be and remain a full, complete, and unconditional general release. The Releasers acknowledge and agree that the foregoing waiver is an essential, integral and material term of this Agreement. The Releasers further acknowledge and agree that no violation of this Agreement shall void the releases set forth in this Section 7.
8. Representation by Counsel. The parties have had adequate opportunity to consult with legal counsel of their respective choice, including with respect to the release of Claims set forth herein.
9. Binding Effect. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective legal representatives, heirs, successors and assigns.

10. Entire Agreement. This Agreement represents the entire agreement between the parties with respect to the subject matter hereof. No amendment will be binding unless in writing and signed by the party against whom enforcement is sought.
11. Governing Law/Venue. This Agreement will be construed and enforced in accordance with the laws of the State of Florida. The parties further agree that any legal proceeding relating to this Agreement or the enforcement of any provision herein shall be brought or otherwise commenced pursuant to Section 13 of the Current Franchise Agreement.
12. Counterparts. This Agreement may be executed in more than one counterpart, each of which shall constitute an original copy.

The parties have signed this Release as of the Effective Date.

FRANCHISOR:

PIRTEK USA, LLC

By _____

Its: _____

Effective Date: _____

FRANCHISEE:

By _____
 (Franchise Owner Name)

Its: _____

Dated: _____

_____, Individually

Signed: _____

Date: _____

EXHIBIT 7

SBA Addendum



ADDENDUM TO FRANCHISE¹ AGREEMENT

THIS ADDENDUM (“Addendum”) is made and entered into on _____, 20____, by and between Pirtek USA LLC (“Franchisor”), located at 300 Gus Hipp Boulevard, Rockledge, Florida 32955, and _____ (“Franchisee”), located at _____.

Franchisor and Franchisee entered into a Franchise Agreement on _____, 20__ (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for a loan (“Loan”) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

CHANGE OF OWNERSHIP

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

FORCED SALE OF ASSETS

- If the Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

¹While relationships established under license, jobber, dealer and similar agreements are not generally described as “franchise” relationships, if such relationships meet the Federal Trade Commission’s (FTC’s) definition of a franchise (see 16 CFR § 436), they are treated by SBA as franchise relationships for franchise affiliation determinations per 13 CFR § 121.301(f)(5).

COVENANTS

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor:

Franchisee:

By: _____

By: _____

Print Name: _____

Print Name: _____

Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

EXHIBIT 8

FORM OF GENERAL RELEASE AGREEMENT

RELEASE OF CLAIMS

(FORM ONLY; SUBJECT TO CHANGE)

For and in consideration of the agreements and covenants described below, Pirtek USA LLC (“Pirtek”) and _____ (“Franchisee”) enter into this Release of Claims (“Agreement”).

RECITALS

- A. Pirtek and Franchisee entered into a PIRTEK® Franchise Agreement dated _____, _____.
- B. [NOTE: Describe the circumstances relating to the release.]
- C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Pirtek and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims by Pirtek.** Except as noted in this Section 4, and subject to your compliance with the terms and conditions of this Agreement, including the payment of \$_____ to Pirtek, Pirtek, for itself, its predecessors, successors, assigns, affiliates, directors, officers, shareholders, and employees (collectively and individually referred to as the “Franchisor Parties”), hereby release and forever discharge Franchisee, its heirs, successors and assigns, affiliates, directors, officers and shareholders, and any other party claiming an interest through them (collectively and individually referred to as the “Franchisee Parties”) from any and all claims, debts, liabilities, demands, obligations, costs, expenses, actions and causes of action, whether known or unknown, vested or contingent, which you may now or in the future own or hold, that in any way relate to the Franchise Agreement (collectively, “Claims”), for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisor Parties do not release the Franchisee Parties from any obligations arising by virtue of this Agreement and the Franchisee Parties’ failure to comply with those obligations. Further, the Franchisor Parties do not release the Franchisee Parties from any Claims related to Franchisee’s (i) indemnification obligations under Section ___ of the Franchise Agreement, (ii) non-disclosure obligations under Section ___ of the Franchise Agreement, and (iii) post-

termination non-compete obligations under Section __ of the Franchise Agreement, each of which remain in full force and effect and are incorporated by reference in this Agreement.

5. **Release of Claims by Franchisee.** In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, the Franchisee Parties release and forever discharge the Franchisor Parties of and from any and all Claims, for known or unknown damages or other losses including but not limited to, any alleged violations of any deceptive or unfair trade practices laws, franchise laws, or other local, municipal, state, federal, or other laws, statutes, rules or regulations, and any alleged violations of the Franchise Agreement or any other related agreement between you and Franchisor or your affiliate and Franchisor.

The Franchisee Parties do not release the Franchisor Parties from any obligations arising by virtue of this Agreement and the Franchisor Parties' failure to comply with those obligations.

6. **Acknowledgement.** The releases of Claims set forth in Section 4 and Section 5 are intended by the Franchisor Parties and the Franchisee Parties (collectively, the "Parties) to be full and unconditional general releases, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist in favor of the one of the Parties against the other Party regardless of whether any unknown, unsuspected or unanticipated claim would materially affect settlement and compromise of any matter mentioned herein. In making this voluntary express waiver, the Parties acknowledge that claims or facts in addition to or different from those which are now known to exist with respect to the matters mentioned herein may later be discovered and that it is the Parties' respective intentions to hereby fully and forever settle and release any and all matters, regardless of the possibility of later discovered claims or facts. This Release is and shall be and remain a full, complete and unconditional general release. The Parties further acknowledge and agree that no violation of this Agreement shall void the releases set forth in this Agreement.

7. **Reservation of Claims Against Non-Settling Parties.** Pirtek and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

8. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

9. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

10. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _____.

11. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 20__

PIRTEK USA LLC

By _____

Its _____

Dated: _____, 20__

FRANCHISEE: _____

By _____

EXHIBIT 9

Operations Manual Table of Contents

OPERATIONS MANUAL TABLE OF CONTENTS AS OF 10/25/2018

Pages	Section
3	1: Introduction to the Manual
1	1.1 Manual Organization
1	1.2 Ownership of the Manual
2	1.3 Purpose of this Manual
1	1.4 Importance of Confidentiality
1	1.5 Keeping the Manual Current
1	1.6 Submitting Suggestions
1	1.7 Disclaimer
6	2: Introduction to the Franchise System
1	2.1 Welcome Letter
1	2.2 History of PIRTEK USA
1	2.3 World Class Brand
1	2.4 Who to Call
2	2.5 Overview of Services Provided to Franchisees
1	2.6 Overview of Your Responsibilities
1	2.7 Visits from Us
1	2.8 Fees
10	3: Understanding Franchising
2	3.1 Unified Thinking
1	3.2 Purpose of Business
1	3.3 Purpose of a Franchise Company
2	3.4 Function of Brand
1	3.5 Function of the Operating System
2	3.6 Importance of Language
1	3.7 Who Owns What?
1	3.8 Partners
2	3.9 Fees—What They Mean
3	3.10 Customer-Driven Company
2	4: Startup Checklist
2	4.1 Contents
1	4.2 Grand Opening
37	5: Human Resources
1	5.1 Non-Joint Employer
1	5.2 PEO
1	5.3 Introduction
4	5.4 Employment Law Basics
3	5.5 OSHA
2	5.6 Preparing to Hire Your First Employee
3	5.7 Job Responsibilities and Ideal Employee Profiles
3	5.8 Recruiting Employees
1	5.9 Confidentiality of Applications
4	5.10 Interviewing Job Applicants
2	5.11 Background Checks on Jo Applicants
2	5.12 Miscellaneous Hiring Issues
2	5.13 New Employee Paperwork
1	5.14 Additional Steps in Hiring Process
1	5.15 MSST Training
3	5.16 Personnel Policies
3	5.17 Paying your Employees
3	5.18 Employee Morale / Motivation
2	5.19 Employee Discipline

3	5.20 Resignation / Termination
1	5.21 Summary of Good Employee Management Practices
1	5.22 Getting Legal Help with Employment Law Issues
11	6: General Ops
1	6.1 Introduction
1	6.2 Required Days / Hours of Operation
4	6.3 Customer Service Procedures
2	6.4 Pricing
1	6.5 PDS
3	6.6 Warranties
2	6.7 Hose Tagging
1	6.8 Crimp Chart
1	6.9 Product Approvals and Specifications
25	7: Mobile Operating Procedures
3	7.1 Van Setup
3	7.2 Tool Setup
1	7.3 Clocking In / Time Tracking
2	7.4 Pre-Arrival Service Procedure
2	7.5 On-Site Service Procedures
11	7.6 Territory Growth Calls
1	7.7 Vehicle Inventory Management
2	7.8 After Hours Job Procedures
5	7.9 Mobile Cleaning and Maintenance
1	7.10 Security
1	7.11 Safety
13	8: Retail Ops
1	8.1 Opening / Closing Checklists
5	8.2 Inventory Management
2	8.3 Security
2	8.4 Retail Cleaning and Maintenance
4	8.5 Safety Procedures
12	9: Customer Acquisition
1	9.1 Frequency and Top of Mind Awareness
4	9.2 Understanding Your Competition
1	9.3 First Impressions
6	9.4 Anatomy of a Sales Call
1	9.5 Loading TGC's into E-Mobile
2	9.6 Putting it all Together
10	10: Finance and Accounting
1	10.1 General Accounting Disclaimer
9	10.2 Operational and Financial Reporting
1	10.3 Franchise Fees and Reporting Requirements
1	10.4 Month End Deadline
1	10.5 End of Year Process / Tax Returns
1	10.6 Budgeting
31	11: Marketing
4	11.1 Introduction
3	11.2 Sign Requirements
2	11.3 Guidelines for Using Marks
2	11.4 Marketing Standards
5	11.5 Logo Specifications
6	11.6 Required Marketing Expenditures
1	11.7 Website
1	11.8 Google Business Places
1	11.9 Printed Materials
1	11.10 Merchandising

1	11.11 E-Mail Marketing
8	11.12 Local Marketing
4	11.13 Public Relations / Communications
2	11.14 Obtaining Marketing Approval
4	12: Additional Resources
1	12.1 Web Sites for Small Businesses
1	12.2 Web Sites for Organizations
1	12.3 Web Sites for Employment Laws
1	12.4 Web Site for Tax Information
2	12.5 Accounting Resources

EXHIBIT 10

Sample Financing Documents

SECURED REVOLVING PROMISSORY NOTE

DATE OF NOTE: _____ (the “Effective Date”)

MAXIMUM PRINCIPAL AMOUNT: US \$ _____

INTEREST RATE: ____% per annum (the “Interest Rate”)

MATURITY DATE: _____ (the “Maturity Date”)

BORROWER: _____

BORROWER'S ADDRESS: _____

LENDER: Arana Treasury LLC

LENDER'S ADDRESS: 300 Gus Hipp Blvd, Rockledge, FL 32955

FOR VALUE RECEIVED, _____ (“Borrower”) hereby promises to pay to Arana Treasury LLC (“Lender”) at such place that Lender may designate to Borrower in writing from time to time, in lawful money of the United States of America and in immediately available funds, the maximum principal amount of US \$ _____ (the “Maximum Principal Amount”), or, if less, the aggregate unpaid principal amount of all Advances (as defined below) made to Borrower by Lender hereunder, together, with interest on all Advances owing under this Secured Revolving Promissory Note (this “Note”). For purposes of this Note, Borrower and Lender are each a “Party” and, together, the “Parties.”

Advances. This is a revolving promissory note. Borrower may borrow, repay and reborrow hereunder, and Lender may advance and readvance under this Note from time to time (each an “Advance” and collectively, the “Advances”) until the Maturity Date, subject to the terms and conditions of this Note. Each Advance shall be in increments of \$ _____. In no event shall the aggregate unpaid principal amount of Advances under this Note exceed the Maximum Principal Amount at any time. During the period commencing on the Effective Date and ending on the day preceding the Maturity Date, a request for an Advance may be made in writing, with such confirmation or verification (if any) as Lender may require in its discretion from time to time. A request for an Advance by Borrower shall be binding upon Borrower. Lender will enter on its books and records, which entry when made will be presumed correct, the date and amount of each Advance, as well as the date and amount of each payment made by Borrower.

Accrual of Interest. Interest will accrue on a daily basis and be charged on the unpaid Advances outstanding of this Note from time to time at the Interest Rate.

Repayment Terms. Borrower shall pay to the Lender on the 10th day of every month all accrued and outstanding interest as of, and including, the last day of the prior month. All of the outstanding Advances and accrued interest will be payable by Borrower on the Maturity Date.

Reserve. Any payments required by this Note may be debited by the Lender from the Borrower’s checking and/or savings account(s) (the “Accounts”) indicated on the attached Exhibit A - Authorization for Prearranged Payments, which authorization shall be executed by Borrower. Amounts debited from the Accounts for payments under this Note shall be credited to Borrower in the amount of the reduction of the

Accounts. Until the repayment of all principal and accrued interest under this Note, Borrower shall maintain a minimum cash balance in the Accounts of \$_____.

Default. The occurrence of the following conditions will constitute an “Event of Default” under this Note:

(a) (i) Borrower fails to pay all or any of the Advances and accrued interest when due or (ii) Borrower fails to perform any obligation hereunder and such failure to perform continues for ten (10) days after Lender notifies Borrower of such failure in writing;

(b) Borrower breaches that certain Pledge and Security Agreement, dated as of the Effective Date, by and between Borrower and Lender (the “Pledge and Security Agreement”), and such failure continues for ten (10) days after Lender notifies Borrower of such failure in writing;

(c) Borrower (i) admits in writing its inability to pay generally its debts as they mature; (ii) makes a general assignment for the benefit of creditors; (iii) is adjudicated a bankrupt or insolvent; (iv) files a voluntary petition in bankruptcy; (v) takes advantage, as against its creditors, of any bankruptcy law or statute of the United States of America or any state or subdivision thereof now or hereafter in effect; (vi) has a petition or proceeding filed against it under any provision of any bankruptcy or insolvency law or statute of the United States of America or any state or subdivision thereof; (vii) has a receiver, liquidator, trustee, custodian, conservator, sequestrator or other such person appointed by any court to take charge of its affairs or assets or business; or (viii) takes any action in furtherance of any of the foregoing; or

(d) any liquidation, dissolution or winding up of Borrower.

Acceleration. If an Event of Default occurs, then the entire principal amount of all outstanding Advances made hereunder and accrued and unpaid interest on such Advances will become due and payable at once or thereafter, at the option of Lender, with notice to Borrower; provided, however, that if an Event of Default described in Section 4(c) or (d) shall occur, the entire principal amount of all outstanding Advances made hereunder and all unpaid interest on such Advances shall become immediately due and payable without any notice, declaration or other act on the part of Lender. Failure by Lender to exercise this option will not constitute a waiver of the right to exercise the same in the event of any subsequent default.

Interest. Notwithstanding any term, condition, obligation or provision in this Note to the contrary, it is the express intent of Lender that no interest, consideration or charge in excess of that permitted under applicable law may be accrued, charged, or taken or become payable under this Note. In the event it is determined that Lender of this Note has taken, charged or reserved interest in excess of that permitted under applicable law, whether due to prepayment, acceleration or otherwise, such excess will be refunded to Borrower or credited against the sums due Lender under this Note.

Taxes. All taxes, documentary stamp taxes, costs and expenses imposed upon this Note or incurred by Lender in connection with this Note shall be paid by Borrower.

Security. This Note is secured by the Pledge and Security Agreement.

Prepayment. This Note may be prepaid in whole or in part at any time without penalty. Prepayments that are not paying off the full amount of the outstanding balance shall be for a minimum of \$_____. Amounts prepaid hereunder may be reborrowed until the Maturity Date.

Waiver of Presentment, Etc. All Parties, whether Borrower, endorser, surety, or guarantor, hereby waive all rights of presentment for payment, demand, protest, notice of protest and notice of dishonor, and expressly agree, jointly and severally, to remain and continue to be bound for the payment of the Advances made hereunder and interest provided for by the terms of this Note, notwithstanding any extensions of the time for the payment of said Advances or interest, or any changes in the amounts agreed to be paid under this Note, and waive all and every kind of notice of such extension or extensions, change or changes, and agree that the same may be made without the joinder of Borrower.

Miscellaneous.

(e) Notice. All notices, requests or other communications required or permitted to be delivered under this Note will be delivered in writing to such address provided in this Note above, or to such other address as Borrower or Lender may designate from time to time by notice complying with the terms of this Section 11(a). Such notices, requests or other communications shall be deemed to have been duly given: (i) on the date of delivery, if personally delivered by hand; (ii) upon the third day after such notice is deposited in the United States mail, if mailed by registered or certified mail, postage prepaid, return receipt requested; (iii) on the date sent by facsimile or email (with confirmation of transmission) if sent during normal business hours of the recipient and on the next business day if sent after normal business hours of the recipient; or (iv) upon the date scheduled for delivery after such notice is sent by a nationally recognized overnight express courier.

(f) Amendment. This Note may only be amended, modified or supplemented by an agreement in writing signed by each Party.

(g) Severability. If any provision of this Note is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Note nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby. If any provision of this Note may be construed in two or more ways, one of which would render the provision invalid or otherwise voidable or unenforceable and another of which would render the provision valid and enforceable, such provision shall have the meaning which renders it valid and enforceable.

(h) Successors and Assigns. This Note may be assigned, transferred, or negotiated by Lender to any person or entity, at any time, without notice to or the consent of Borrower. Borrower may not assign or transfer this Note or any of its rights hereunder without the prior written consent of Lender. This Note shall inure to the benefit of and be binding upon the Parties and their permitted assigns..

(i) Headings and Captions. The headings and captions in this Note are included for convenience of reference only and shall be ignored in the construction or interpretation of this Note.

(j) No Construction Against Draftsmen. The Parties acknowledge that this is a negotiated agreement, and that in no event shall the terms of this Note be construed against any Party on the basis that such Party, or its counsel, drafted this Note.

(k) Governing Law. This Note shall be construed in accordance with and governed by the laws of the State of Florida, without regard to the conflicts of law rules (whether of the State of Florida or of any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Florida.

(l) Jurisdiction and Venue. ANY CLAIM ARISING OUT OF OR BASED UPON THIS NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS NOTE WILL BE INSTITUTED EXCLUSIVELY IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF FLORIDA IN EACH CASE LOCATED IN THE COUNTY OF BREVARD, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH CLAIM. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY CLAIM BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY CLAIM IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH CLAIM BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(m) Attorneys' Fees. If any Party institutes any legal suit, action, or proceeding against the other Party, the prevailing Party in the suit, action, or proceeding is entitled to receive, and the non-prevailing Party shall pay, in addition to all other remedies to which the prevailing Party may be entitled, the reasonable costs and expenses incurred by the prevailing Party in conducting the suit, action, or proceeding, including reasonable attorneys' and paralegals' fees and expenses, investigative fees, administrative costs, court costs and all expenses, even if not taxable as court costs (including all such expenses, fees, taxes and costs incident or related to arbitration, appellate, bankruptcy and post-judgment proceedings), and all other charges billed by the attorney to the prevailing Party (including any fees and costs associated with collecting such amounts).

(n) JURY WAIVER. IN ANY CLAIM, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS, OR RELATES TO THIS NOTE, THE PERFORMANCE OF THIS NOTE, OR THE RELATIONSHIP CREATED BY THIS NOTE, WHETHER SOUNDING IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, TRIAL SHALL BE TO A COURT OF COMPETENT JURISDICTION AND NOT TO A JURY. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS NOTE WITH ANY COURT, AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES OF SUCH WAIVER OF THEIR RIGHT TO TRIAL BY JURY. NO PARTY HAS MADE OR RELIED UPON ANY ORAL REPRESENTATIONS TO OR BY ANY OTHER PARTY REGARDING THE ENFORCEABILITY OF THIS PROVISION. EACH PARTY HAS READ AND UNDERSTANDS THE EFFECT OF THIS JURY WAIVER PROVISION. EACH PARTY ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY ITS OWN COUNSEL WITH RESPECT TO THIS NOTE AND SPECIFICALLY WITH RESPECT TO THE TERMS OF THIS SECTION 11(j).

(o) Entire Agreement. This Note, together, with the [Pledge and Security Agreement and], constitutes the entire agreement among the Parties with respect to the subject matter of this Note and supersedes all prior agreements, understandings and negotiations, both written and oral, between the Parties with respect to the subject matter of this Note. There are no unwritten oral agreements between Borrower and Lender.

[SIGNATURE PAGE FOLLOWS]

Borrower and Lender each hereby execute this Note as of the Effective Date.

BORROWER:

By: _____

Name: _____

Title: _____

LENDER:

Arana Treasury LLC

By: _____

Name: Antonia Gross

Title: Manager

CONTINUING SECURITY AGREEMENT

THIS CONTINUING SECURITY AGREEMENT (this "Agreement") is given as of _____, by _____, a(n) _____ with a business address located at _____ (the "Borrower"), in favor of Arana Treasury LLC, a Florida limited liability company, or its assigns (the "Lender").

On the date of this Agreement, Borrower has made and delivered to Lender a secured revolving promissory note in the maximum principal amount of \$_____ (as the same may be amended, restated, supplemented or otherwise modified, the "Note") in connection with a revolving loan made by Lender to Borrower. It is a condition of Lender's acceptance of the Note that Borrower grant the security interests contemplated by this Agreement in order to secure the payment and performance of the Borrower's obligations set forth in the Note (together with Borrower's obligations under this Agreement, the "Obligations").

NOW, THEREFORE, in consideration of the foregoing, and in order to induce the Lender to accept the Note, Borrower hereby agrees with the Lender as follows:

Grant of Security Interest. The Borrower hereby grants to Lender a first priority security interest and lien in all of the Borrower's right, title and interest in and to the following property, wherever located, whether held by Borrower or any other person (including Lender, any financial institution or securities intermediary) and whether such property or interest therein is now owned or existing or hereafter acquired or arising (collectively, the "Collateral") (capitalized terms used but not otherwise defined in this Agreement shall have the meanings given to such terms in the Uniform Commercial Code – Secured Transactions, Chapter 679 of the Florida Statutes, and any successor provisions (the "Code")):

All Accounts, accounts receivable, other receivables, any right to payment of a monetary obligation, whether or not earned by performance, leases and lease payments, contract rights, any other obligations or indebtedness owed to Borrower from whatever source arising, all other rights of Borrower to receive performance or any payments in money or in kind whether or not earned by performance, all guaranties, security interests and supporting obligations of any of the foregoing and insurance policies and proceeds relating thereto, and all rights of Borrower as an unpaid seller of Goods and services, including, but not limited to, the rights to stoppage in transit, replevin, reclamation, and resale, all rights to payment for money or funds advanced or sold;

All Inventory, merchandise, raw materials, goods in process, work in progress, materials used or consumed in a business, finished goods, component materials, and all supplies, incidentals, office supplies, packaging materials and any and all property or items used or consumed in the operation of the business of Borrower or which contribute to the finished products or to the sale, promotion and shipment thereof, As-Extracted collateral, all property leased by Borrower, held by Borrower for sale or lease or to be furnished under a contract of service, or furnished by Borrower under a contract for service and all Documents evidencing any part of any of the foregoing;

All Equipment, Goods other than Inventory, parts, computers, including data, hardware and software, machinery, fixtures, furniture, furnishings, tools, dies, aircraft, vessels and vehicles of every kind and description, whether or not titled, all parts and accessories for or relating to any of the foregoing;

All General Intangibles, all claims and causes of action, and all other intangible personal property of Borrower of every kind and nature, whether registered or unregistered, Payment Intangibles, corporate or other business records, all books, mailing and customer lists, ledgers, books of account, records, writings, data bases, software, information and data however stored or embedded, inventions, designs, blueprints, plans, specifications, patents, patent applications, service marks, trademarks, trade

names, trade secrets, domain names, processes, formulas, goodwill, copyrights, registrations, licenses, permits, leases, contracts, governmental approvals, franchises, applications and renewals of any of the foregoing, privileges, rights, tax refunds and tax claims, any swap, hedging or derivatives agreements, insurance proceeds, pension and insurance surpluses;

All Chattel Paper, Instruments, notes, Promissory Notes, Deposit Accounts, Investment Property, Securities, letters of credit, Letter-of-Credit Rights, Documents, Payment Intangibles, Financial Assets, if any, and all Supporting Obligations for any of the foregoing; and

All Proceeds including proceeds and products of all of the foregoing and all additions and accessions to, replacements and substitutions of, insurance policies and payments, condemnation proceeds of, and documents covering all of the foregoing, all property received wholly or partly in trade or exchange for all of the foregoing, and all income, rents, revenues, dividends, distributions, issues, profits, cash or non-cash proceeds and accessions arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition of any of the foregoing or any interest therein.

Security for Obligations. The first priority security interest and lien granted pursuant to this Agreement secures the payment and performance of all Obligations to Lender. This is a continuing security interest.

Further Assurances.

The Borrower agrees that from time to time, at the sole expense of the Borrower, the Borrower shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Lender may reasonably request, in order to perfect and protect any security interest or lien granted or purported to be granted hereby or to enable Lender to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

The Borrower hereby authorizes Lender to file one or more financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral, without the signature of the Borrower. The Borrower will pay the cost of filing them in all public offices where filing is deemed by Lender to be necessary or desirable.

The Borrower will furnish to Lender statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as Lender may reasonably request from time to time, all in reasonable detail.

Lender's Duties. The powers conferred on Lender hereunder are solely to protect Lender's interest in the Collateral and shall not impose any duty upon Lender to exercise any such powers. Unless otherwise required by law, the Borrower has the risk of loss of the Collateral and Lender shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against other parties or any other rights pertaining to any Collateral.

Continuing Borrower Liability.

Notwithstanding anything herein to the contrary, (i) the Borrower shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by Lender of any of its rights hereunder shall not release the Borrower from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) Lender shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, nor shall Lender be obligated to perform any of the obligations or duties of the Borrower thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

This Agreement and any and all security interests created or evidenced hereby and all Obligations will continue to be effective or be reinstated, as the case may be, as though payment had not been made, if at any time any amount received by Lender in respect of the Obligations is rescinded or must otherwise be restored or returned by Lender, including upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or upon the appointment of any intervenor or conservator of, or trustee or similar official for, the Borrower, any substantial part of its assets, or otherwise.

6. **Representations and Warranties of Borrower.** Borrower represents and warrants to Lender, which representations and warranties shall be true at all times that any Obligations remain outstanding, that:

(a) Borrower is duly organized, validly existing and in good standing under the laws of the State of _____. Borrower has full power and authority to conduct its business as it is now being conducted and to own and operate its properties and assets. Borrower's chief executive office is currently located at _____. Borrower has not operated under any assumed names and its full entity name is set forth in the introductory paragraph to this Agreement.

(b) Borrower has full legal power and authority to execute and deliver this Agreement, the Note and the other Loan Documents (as defined below in this Section 6(b)) to which Borrower may be a party and to perform all of its obligations under this Agreement, the Note and such other Loan Documents. Borrower has duly authorized the execution, delivery and performance of this Agreement, the Note and the other Loan Documents. Borrower has duly executed and delivered to Lender this Agreement, the Note and the other Loan Documents. This Agreement, the Note and such other Loan Documents constitute the valid and legally binding agreements and obligations of Borrower, enforceable in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization and similar laws affecting creditors' rights. The execution and delivery of this Agreement, the Note and such other Loan Documents by Borrower and consummation by Borrower of the transactions contemplated by this Agreement, the Note and such other Loan Documents, and the compliance by Borrower with the provisions of this Agreement, the Note and such other Loan Documents will not (i) violate the articles of organization, operating agreement or any other organizational documents of Borrower, (ii) constitute or result in a default under, or require any consent pursuant to, any agreement or contract to which Borrower or any asset of Borrower may be subject, or (iii) constitute or result in a violation of, a default under, or require any consent to, any law, rule, regulation or order applicable to Borrower or any asset of Borrower. For purposes of this Agreement, "Loan Documents" mean this Agreement, the Note, and each other document, instrument, or other agreement executed and delivered or to be executed and delivered in connection with this Agreement or the transactions contemplated hereby.

(c) No action has been taken or, to Borrower's knowledge, threatened by any taxing authority which would impose a lien on any of the property of Borrower.

(d) There is no litigation, claim, proceeding or dispute pending, or, to Borrower's knowledge, threatened against or affecting Borrower or its properties that may have a material adverse effect on Borrower's business, properties or prospects.

(e) Borrower is not a party to or subject to any agreement or restriction that may have a material adverse effect on Borrower's business, properties or prospects.

(f) Borrower has obtained all licenses, permits, franchises, government authorizations, patents, trademarks, copyrights and other rights necessary for the ownership of its properties and the conduct of its business. Borrower possesses all licenses, patents, patent applications, copyrights, trademarks, trademark applications and trade names to continue to conduct its business without any conflicts of the rights of any other person or entity. All of the foregoing are in full force and effect and none of the foregoing are in conflict with the rights of others.

(g) Borrower is in material compliance with all laws, regulations, rules, orders, injunctions, decrees, conditions or other requirements applicable to or imposed upon the Borrower by any law or by any governmental authority, court or agency. Borrower has filed all of the required tax returns and reports that are now required to be filed by it in connection with any federal, county, state or local tax, duty or charge levied or assessed or imposed upon the Borrower or the Borrower's assets, including unemployment, social security, personal property and real estate taxes. Borrower has paid all taxes which are now due and payable. No taxing authority has asserted or assessed any additional tax liabilities against Borrower which are outstanding on this date and Borrower has not filed for any extension of time for the payment of any tax or the filing of any tax return or report.

(h) After giving effect to the loan evidenced by the Note, Borrower will be able to pay its debts as they become due, and Borrower's assets will be in excess of its liabilities (including any contingent liabilities).

7. **Covenants of Borrower.** So long as any Obligations remain outstanding, Borrower covenants and agrees with Lender that:

(a) Borrower shall keep its properties in good condition and repair and shall not use its properties in violation of any provision of this Agreement, any applicable statute, regulation or ordinance or any policy of insurance insuring the properties.

(b) Borrower shall not (i) pledge, encumber, mortgage, or grant a lien or security interest in any of its properties or assets, or (ii) permit any lien or encumbrance to attach to any of its properties or assets, without the prior written consent of Lender.

(c) Borrower will not, sell, lease, license or offer to sell, lease, license, or otherwise transfer the Collateral or any rights in or to the Collateral, without the written consent of Lender, except for the sale of inventory in the ordinary course of business; or change the location of the Collateral from the locations of the Collateral disclosed to Lender, without providing at least ten (10) days' prior written notice to Lender.

(d) Borrower shall pay all taxes, assessments and other charges of every nature, including those which may be levied or assessed against its properties or assets.

(e) Borrower will do all that is needed or required to maintain its present existence, to remain in good standing, and to continue its business activities and Borrower will use commercially reasonable efforts to maintain its business relationships.

(f) Borrower shall permit Lender or its agents to inspect the Borrower's books, records and financial statements at any time upon reasonable request of Lender, and Borrower shall pay the reasonable, necessary and ordinary fees of any such inspections. Lender shall at all times maintain the confidentiality of the Borrower's books, records and financial statements, and use the information set forth in the Borrower's books, records and financial statements solely to evaluate the Collateral and Borrower's compliance with the Loan Documents.

(g) Borrower shall pay all documentary stamp taxes, intangible taxes, and other fees and taxes relating to the Note, this Agreement and the other Loan Documents and all filing and recording fees and other fees, taxes and similar amounts.

(h) Borrower will keep its properties insured, at all times, for the benefit of Lender against loss, damage and theft, with extended coverage, in an amount equal to the full replacement value of the properties under policies satisfactory to Lender, all of which policies shall name Lender as an

additional insured and provide that any proceeds shall be payable to Lender and that the insurer is required to pay Lender even if the insurer has a valid defense against paying Borrower. Such policies shall be with insurance companies acceptable to Lender.

(i) Borrower will furnish Lender with proof in a form satisfactory to Lender of the insurance described in this Agreement and all such policies will provide for 30 days prior written notice to Lender before the policy may be altered or cancelled.

(j) Borrower shall comply with all laws, rules and regulations applicable to it or its assets and shall immediately notify Lender of any violation of any laws, rules and regulations relating to the public health or the environment and of any complaint or notifications received by Borrower regarding any environmental or safety and health law, rule or regulation. Borrower shall obtain and maintain any and all licenses, permits, franchises, government authorizations, patents, trademarks, copyrights or other rights necessary for the ownership of its respective properties and the advantageous conduct of its respective businesses and as may be required from time to time by applicable law.

(k) If Borrower fails to pay any tax, assessment, charge or levy or to maintain insurance with, or to discharge any lien prohibited hereby or to comply with any other obligation, Lender may, but shall not be obligated to, pay, satisfy, discharge or bond the same for the account of Borrower. To the extent permitted by law and at the option of Lender, all monies so paid by Lender shall be payable to Lender on demand and if not paid, shall accrue interest at the default rate described in the Note.

(l) Borrower shall not guarantee or endorse any indebtedness of any party (including any shareholder, member, director, officer or affiliate), without Lender's prior written consent.

(m) Borrower shall not make any investments in other parties or acquire the equity or assets of another party, create any subsidiary, or make a loan to any third party (including any shareholder, member, director, officer or other affiliate), without the prior written consent of Lender, except that Borrower may acquire accounts receivables and other assets of third parties in the ordinary course of Borrower's factoring business.

(n) Borrower shall not make any distributions, dividends or other payments in respect of its equity interests (including any redemption or repurchase of an equity interest), at any time that an Event of Default has occurred and is continuing.

(o) No financing statement or similar record covering all or any part of the Collateral or any proceeds is on file in any public office, unless Lender has approved that filing.

8. **Default.** Any of the following shall constitute an event of default under this Agreement ("Event of Default"):

(a) Nonpayment when due, whether by demand for payment, by acceleration or otherwise of any of obligations under the Note, this Agreement or the other Loan Documents.

(b) Failure of Borrower to perform any other obligation, covenant or agreement under this Agreement within ten (10) business days of the Lender delivering to the Borrower notice of such failure, provided that in the event that any such failure cannot be cured, then no cure period will exist;

(c) Any representation or warrant made, or deemed made, by Borrower in this Agreement or any other Loan Document shall be untrue in any material respect; or

(d) The occurrence of any event of default (as defined therein) under the Note or any other Loan Document after giving effect to all grace and cure periods.

1. **Remedies.** If any Event of Default shall have occurred and be continuing:

Lender shall have the right to take immediate possession of the Collateral, and (i) to require the Borrower to assemble the Collateral, at the Borrower's expense, and make it available to Lender at a place designated by Lender which is reasonably convenient to both parties, and (ii) to enter any of the premises of the Borrower or wherever any of the Collateral shall be located, and to keep and store the same on such premises until sold or otherwise realized upon (and if such premises are the property of the Borrower, the Borrower agrees not to charge Lender for storage thereof);

Lender shall have the right to sell or otherwise dispose of all or any Collateral at public or private sale or sales, with such notice as may be required by law, all as Lender, in its sole discretion, may deem advisable. The Borrower agrees that ten (10) days written notice to the Borrower of any public or private sale or other disposition of such Collateral shall be reasonable notice thereof. Lender shall have the right to conduct such sales on the Borrower's premises, without charge therefor. All public or private sales may be adjourned from time to time in accordance with applicable law. Lender shall have the right to sell, lease or otherwise dispose of such Collateral, or any part thereof, for cash, credit or any combination thereof, and Lender may purchase all or any part of such Collateral at public or, if permitted by law, private sale and, in lieu of actual payment of such purchase price, may set off the amount of such price against the Obligations. At any sale, Lender may specifically disclaim any warranties including of title or the like. Lender may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered adversely to affect the commercial reasonableness of any sale or disposition of the Collateral. Lender may apply the proceeds from any sale first against the costs of such sale, second to attorneys' and other fees and costs, third to interest, and fourth to principal or in such other manner as Lender may reasonably determine;

(c) Borrower agrees that all sums of money it receives on account of or in payment or settlement of the accounts, chattel paper, certificated securities, negotiable certificates of deposit, documents, general intangibles and instruments shall be held by it as trustee for Lender without commingling with any of Borrower's other funds, and shall immediately be delivered to Lender with endorsement to Lender's order of any check or similar instrument. It is agreed that, at any time Lender so elects, Lender shall be entitled, in its own name or in the name of Borrower or otherwise, but at the expense and cost of Borrower, to collect, demand, receive, sue for or compromise any and all accounts, chattel paper, certificated securities, negotiable certificates of deposit, documents, general intangibles, and instruments, and to give good and sufficient releases, to endorse any checks, drafts or other orders for the payment of money payable to Borrower and, in Lender's discretion, to file any claims or take any action or proceeding which Lender may deem necessary or advisable. It is expressly understood and agreed, however, that Lender shall not be required or obligated in any manner to make any demand or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim or take any other action to collect or enforce the payment of any amounts which may have been assigned to Lender or to which Lender may be entitled at any time or times. All notices required in this paragraph will be immediately effective when sent. Such notices need not be given prior to Lender's taking action;

(d) Borrower irrevocably appoints Lender or Lender's designee as Borrower's attorney-in-fact to do all things with reference to the Collateral as provided for in this Agreement including without limitation (1) to sign Borrower's name on any invoice or bill of lading relating to any Collateral, on assignments and verifications of account and on notices to Borrower's customers, and (2) to do all things necessary to carry out this agreement or to perform any of Borrower's obligations under this agreement, (3) to notify the post office authorities to change Borrower's mailing address to one designated by Lender, and (4) to receive, open and dispose of mail addressed to Borrower. Borrower ratifies and approves all acts of Lender as attorney-in-fact. This power of attorney appointment is

irrevocable, coupled with an interest, and shall survive the death or disability of Borrower. Lender shall not be liable for any act or omission, nor any error of judgment or mistake of fact or law, but only for its gross negligence or willful misconduct. This power being coupled with an interest is irrevocable until all of the Liabilities have been fully satisfied. Immediately upon its receipt of any Collateral evidenced by an agreement, "instrument," "chattel paper," certificated "security" or "document" (as such terms are defined in the Code) (collectively, "Special Collateral"), it shall mark the Special Collateral to show that it is subject to Lender's security interest, pledge and assignment and shall deliver the original to Lender together with appropriate endorsements and other specific evidence of assignment or transfer in form and substance satisfactory to Lender;

(e) Lender may apply all proceeds received by Lender from Borrower or other amount paid by any third party to Borrower, against the Obligations as those funds are collected by Lender;

(f) Lender may apply the proceeds of any insurance on the properties or assets of Borrower toward payment of the Obligations, whether due or not due, in such order of application as Lender may determine and to act as attorney for Borrower in obtaining, adjusting, settling and canceling the insurance and endorsing any drafts relating thereto; and

(g) Lender may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or under the other Loan Documents, all the rights and remedies of a secured party under the Code or otherwise available at law or in equity or otherwise.

Indemnity and Expenses.

The Borrower agrees to indemnify Lender from and against any and all claims, losses and liabilities arising out of or relating to this Agreement and/or any of the Obligations (including, without limitation, enforcement of this Agreement and Lender's exercise of its rights and remedies hereunder) except to the extent such claim, loss or liability arises out of or relates to Lender's gross negligence or willful misconduct.

Borrower agrees to pay all costs of collection (whether suit be brought or not) and reasonable attorneys' fees and costs, including reasonable attorneys' fees and costs before, after or during suit and out of court, in trial, on appeal, in bankruptcy proceedings or otherwise, incurred or paid by Lender in enforcing the Obligations or enforcing or preserving any right or interest of Lender with respect to the Obligations, this Agreement, the Note or any of the other Loan Documents.

LIMITATION OF LIABILITY. IN NO EVENT SHALL LENDER BE LIABLE FOR ANY PUNITIVE, SPECIAL, INDIRECT OR CONSEQUENTIAL DAMAGES ARISING FROM, RELATED TO OR IN CONNECTION WITH THE BREACH BY LENDER OF ANY PROVISION OF THIS AGREEMENT, THE NOTE OR ANY OTHER LOAN DOCUMENT.

Notice. All notices, requests or other communications required or permitted to be delivered under this Note will be delivered in writing to the address below, or to such other address as Borrower or Lender may designate from time to time by notice complying with the terms of this Section.

If to Lender, to: Arana Treasury LLC
300 Gus Hipp Blvd.
Rockledge, FL 32955

If to Borrower, to: _____

Such notices, requests or other communications shall be deemed to have been duly given: (i) on the date of delivery, if personally delivered by hand; (ii) upon the third day after such notice is deposited in the United States mail, if mailed by registered or certified mail, postage prepaid, return receipt requested; (iii) on the date sent by facsimile or email (with confirmation of transmission), if sent during normal business hours of the recipient, and on the next business day, if sent after normal business hours of the recipient; or (iv) upon the date scheduled for delivery after such notice is sent by a nationally recognized overnight express courier.

Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Florida without giving effect to any choice of law rules thereof; provided, however, that if any of the Collateral shall be located in any jurisdiction other than Florida, the laws of such jurisdiction shall govern the method, manner and procedure for foreclosure of Lender's lien upon or other interest in such Collateral and the enforcement of Lender's other remedies in respect of such Collateral to the extent that the laws of such jurisdiction are different from or inconsistent with the laws of Florida.

JURISDICTION AND VENUE. THE BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT LOCATED WITHIN PALM BEACH COUNTY, FLORIDA OR FEDERAL COURT IN THE SOUTHERN DISTRICT OF FLORIDA FOR ANY CLAIM RELATING TO THIS AGREEMENT, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO THE BORROWER AT THE ADDRESS STATED IN THE NOTICE PROVISION OF THIS AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. IN ADDITION, BORROWER AGREES THAT PROCESS MAY BE SERVED IN ANY MANNER PERMITTED BY LAW. THE BORROWER WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE.

Miscellaneous. This Agreement, the Note and the other Loan Documents constitute the entire agreement of the parties relating to the subject matter hereof and supersede any and all other oral or written agreements relating to the subject matter hereof. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Borrower herefrom, shall in any event be effective unless the same shall be in writing and signed by the party against whom enforcement of such amendment, waiver or consent is sought, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The paragraph and section headings herein are solely for convenience and shall not be deemed to limit or otherwise affect the meaning or construction of any part of this Agreement. This document shall be construed without regard to any presumption or rule requiring construction against the party causing such document or any portion thereof to be drafted. If any provision of this Agreement is deemed invalid or unenforceable, such provision will be deemed limited by construction in scope and effect to the minimum extent necessary to render it valid and enforceable and, in the event no such limiting construction is possible, the invalid or unenforceable provision will be deemed severed from this Agreement without affecting the validity of any other term or provision. A facsimile or other electronically transmitted signature of a party shall be deemed an original signature. This Agreement may be signed in counterparts.

WAIVER OF JURY TRIAL. IN ANY CIVIL ACTION, COUNTERCLAIM, OR PROCEEDING, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS, OR RELATES TO THIS AGREEMENT, ANY AND ALL TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE PERFORMANCE OF THIS AGREEMENT, OR THE RELATIONSHIP CREATED BY THIS AGREEMENT, WHETHER SOUNDING IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, TRIAL SHALL BE TO A COURT OF COMPETENT JURISDICTION

AND NOT TO A JURY. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT, AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THIS AGREEMENT OF THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. NEITHER PARTY HAS MADE OR RELIED UPON ANY ORAL REPRESENTATIONS TO OR BY ANY OTHER PARTY REGARDING THE ENFORCEABILITY OF THIS PROVISION. EACH PARTY HAS READ AND UNDERSTANDS THE EFFECT OF THIS JURY WAIVER PROVISION. EACH PARTY ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY ITS OWN COUNSEL WITH RESPECT TO THE TRANSACTION GOVERNED BY THIS AGREEMENT AND SPECIFICALLY WITH RESPECT TO THE TERMS OF THIS SECTION.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first above written.

BORROWER:

By: _____
Name: _____
Title: _____

LENDER:

Arana Treasury LLC

By: _____
Name: Antonia Gross
Title: Manager

GUARANTY

THIS GUARANTY (this "Guaranty"), dated as of _____, is made by _____, an individual with an address located at _____ ("Guarantor"), in favor and for the benefit of Arana Treasury LLC, a Florida limited liability company, with a business address located at 300 Gus Hipp Blvd., Rockledge, FL 32955 ("Lender").

Reference is made to the Secured Revolving Promissory Note dated the date hereof (the "Note"), by and between _____ ("Borrower") and Lender. In consideration of the substantial direct and indirect benefits derived by Guarantor from the transactions under the Note, and in order to induce Lender to make the loan(s) described in the Note available to Borrower, Guarantor hereby agrees as follows:

Guaranty. Guarantor absolutely, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, the full and punctual payment and performance of all present and future obligations, liabilities, covenants and agreements required to be observed and performed or paid or reimbursed by Borrower under or relating to the Note and the Security Agreement dated the date hereof (the "Security Agreement" and collectively with the Note and this Guaranty, the "Loan Documents") by Borrower in favor of Lender, plus all costs, expenses and fees (including the reasonable fees and expenses of Lender's counsel) in any way relating to the enforcement or protection of Lender's rights hereunder (collectively, the "Obligations").

Guaranty Absolute and Unconditional. Guarantor agrees that its Obligations under this Guaranty are irrevocable, continuing, absolute and unconditional and shall not be discharged or impaired or otherwise affected by, and Guarantor hereby irrevocably waives any defenses to enforcement he may have (now or in the future) by reason of:

Any illegality, invalidity or unenforceability of any Obligation or any Loan Document or any related agreement or instrument, or any law, regulation, decree or order of any jurisdiction or any other event affecting any term of the Obligations.

Any change in the time, place or manner of payment or performance of, or in any other term of the Obligations, or any rescission, waiver, release, assignment, amendment or other modification of the Note.

Any taking, exchange, substitution, release, impairment, amendment, waiver, modification or non-perfection of any collateral or any other guaranty for the Obligations, or any manner of sale, disposition or application of proceeds of any collateral or other assets to all or part of the Obligations.

Any default, failure or delay, willful or otherwise, in the performance of the Obligations.

Any change, restructuring or termination of the corporate structure, ownership or existence of Guarantor or Borrower or any insolvency, bankruptcy, reorganization or other similar proceeding affecting Borrower or its assets or any resulting restructuring, release or discharge of any Obligations.

Any failure of Lender to disclose to Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of Borrower

now or hereafter known to Lender, Guarantor waiving any duty of Lender to disclose such information.

The failure of any other guarantor or third party to execute or deliver this Guaranty or any other guaranty or agreement, or the release or reduction of liability of Guarantor or any other guarantor or surety with respect to the Obligations.

The failure of Lender to assert any claim or demand or to exercise or enforce any right or remedy under the provisions of the Note, the Security Agreement or otherwise.

The existence of any claim, set-off, counterclaim, recoupment or other rights that Guarantor or Borrower may have against Lender (other than a defense of payment or performance).

Any other circumstance (including, without limitation, any statute of limitations), act, omission or manner of administering the Note or the Security Agreement or any existence of or reliance on any representation by Lender that might vary the risk of Guarantor or otherwise operate as a defense available to, or a legal or equitable discharge of, Guarantor.

Certain Waivers; Acknowledgments. Guarantor further acknowledges and agrees as follows:

Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all presently existing and future Obligations, until the complete, irrevocable and indefeasible payment and satisfaction in full of the Obligations.

This Guaranty is a guaranty of payment and performance and not of collection. Lender shall not be obligated to enforce or exhaust its remedies against Borrower or under the Note before proceeding to enforce this Guaranty.

This Guaranty is a direct guaranty and independent of the obligations of Borrower under the Loan Documents. Lender may resort to Guarantor for payment and performance of the Obligations whether or not Lender shall have resorted to any collateral therefor or shall have proceeded against Borrower or any other guarantors with respect to the Obligations. Lender may, at Lender's option, proceed against Guarantor and Borrower, jointly and severally, or against Guarantor only without having obtained a judgment against Borrower.

Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonor and any other notice with respect to any of the Obligations and this Guaranty and any requirement that Lender protect, secure, perfect or insure any lien or any property subject thereto.

Guarantor agrees that his guaranty hereunder shall continue to be effective or be reinstated, as the case may be, if at any time all or part of any payment of any Obligation is voided, rescinded or recovered or must otherwise be returned by Lender upon the insolvency, bankruptcy or reorganization of Borrower.

Subrogation. Guarantor waives and shall not exercise any rights that he may acquire by way of subrogation, contribution, reimbursement or indemnification for payments made under this Guaranty until all Obligations shall have been indefeasibly paid and discharged in full.

Representations and Warranties. To induce Lender to enter into the Note, Guarantor represents and warrants that: (a) this Guaranty constitutes Guarantor's valid and legally binding agreement in accordance with its terms; (b) the execution, delivery and performance of this Guaranty have been duly authorized by all necessary action and will not violate any order, judgment or decree to which Guarantor or any of his assets may be subject; and (c) Guarantor is currently solvent and will not be rendered insolvent by providing this Guaranty.

Notices. All notices, requests or other communications required or permitted to be delivered under this Guaranty will be delivered in writing to such address provided in this Guaranty above, or to such other address as Guarantor or Lender may designate from time to time by notice complying with the terms of this Section. Such notices, requests or other communications shall be deemed to have been duly given: (i) on the date of delivery, if personally delivered by hand; (ii) upon the third day after such notice is deposited in the United States mail, if mailed by registered or certified mail, postage prepaid, return receipt requested; (iii) on the date sent by facsimile or email (with confirmation of transmission), if sent during normal business hours of the recipient, and on the next business day, if sent after normal business hours of the recipient; or (iv) upon the date scheduled for delivery after such notice is sent by a nationally recognized overnight express courier.

Assignment. This Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that Guarantor may not, without the prior written consent of Lender, assign any of its rights, powers or obligations hereunder. Lender may assign this Guaranty and its rights hereunder without the consent of Guarantor. Any attempted assignment in violation of this section shall be null and void.

Governing Law; Service of Process. This Guaranty shall be governed by and construed under the laws of the State of Florida, without reference to any choice of law doctrine. THE GUARANTOR HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY STATE COURT LOCATED WITHIN PALM BEACH COUNTY, FLORIDA OR FEDERAL COURT IN THE SOUTHERN DISTRICT OF FLORIDA FOR ANY CLAIM RELATING TO THIS GUARANTY, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON HIM AND CONSENTS THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO THE GUARANTOR AT THE ADDRESS STATED IN THE NOTICE PROVISION OF THIS GUARANTY AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. IN ADDITION, GUARANTOR AGREES THAT PROCESS MAY BE SERVED IN ANY MANNER PERMITTED BY LAW. THE GUARANTOR WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST GUARANTOR AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE.

Cumulative Rights. Each right, remedy and power hereby granted to Lender or allowed it by applicable law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by Lender at any time or from time to time.

Severability. If any provision of this Guaranty is to any extent determined by final decision of a court of competent jurisdiction to be unenforceable, the remainder of this Guaranty shall not be affected thereby, and each provision of this Guaranty shall be valid and enforceable to the fullest extent permitted by law.

Entire Agreement; Amendments; Headings; Effectiveness. This Guaranty constitutes the sole and entire agreement of Guarantor and Lender with respect to the subject matter hereof and supersedes all previous agreements or understandings, oral or written, with respect to such subject matter. No

amendment or waiver of any provision of this Guaranty shall be valid and binding unless it is in writing and signed, in the case of an amendment, by both Guarantor and Lender, or in the case of a waiver, by the party against which the waiver is to be effective. Section headings are for convenience of reference only and shall not define, modify, expand or limit any of the terms of this Guaranty. Delivery of this Guaranty by facsimile or in electronic (i.e., pdf or tif) format shall be effective as delivery of a manually executed original of this Guaranty.

WAIVER OF JURY TRIAL. IN ANY CIVIL ACTION, COUNTERCLAIM, OR PROCEEDING, WHETHER AT LAW OR IN EQUITY, WHICH ARISES OUT OF, CONCERNS, OR RELATES TO THIS GUARANTY, ANY AND ALL TRANSACTIONS CONTEMPLATED BY THIS GUARANTY, THE PERFORMANCE OF THIS GUARANTY, OR THE RELATIONSHIP CREATED BY THIS GUARANTY, WHETHER SOUNDING IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, TRIAL SHALL BE TO A COURT OF COMPETENT JURISDICTION AND NOT TO A JURY. THE GUARANTOR HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY. THE LENDER MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS GUARANTY WITH ANY COURT, AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR TO THIS GUARANTY OF THE WAIVER OF ITS RIGHT TO TRIAL BY JURY. NEITHER PARTY HAS MADE OR RELIED UPON ANY ORAL REPRESENTATIONS TO OR BY ANY OTHER PARTY REGARDING THE ENFORCEABILITY OF THIS PROVISION. EACH PARTY HAS READ AND UNDERSTANDS THE EFFECT OF THIS JURY WAIVER PROVISION. EACH PARTY ACKNOWLEDGES THAT IT HAS BEEN ADVISED BY ITS OWN COUNSEL WITH RESPECT TO THE TRANSACTION GOVERNED BY THIS GUARANTY AND SPECIFICALLY WITH RESPECT TO THE TERMS OF THIS SECTION.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the day and year first above written.

GUARANTOR:

Name: _____

Acknowledged and Agreed to as of the date hereof:

LENDER:

Arana Treasury LLC

By: _____
Name: Antonia Gross
Title: Manager

FTL_ACTIVE 5318463.1

**AUTHORIZATION FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)**

_____(Name of Legal Entity)

Name on Account (if different)

(Street Address) (City, State, Zip Code)

Federal Tax Identification Number: _____

Phone Number: _____

The undersigned depositor (“DEPOSITOR”) hereby authorizes Arana Treasury LLC (“COMPANY”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“DEPOSITORY”) and to debit such account(s) pursuant to COMPANY’s instructions for any and all amounts due to COMPANY. The DEPOSITOR understands that all amounts debited from the account below will be credited to COMPANY’s account.

Depository

Branch

City

State

Zip Code

Telephone Number of Bank

Type of Account

Bank Transit/ABA Number

Account Number

This authority is to remain in full force and effect until DEPOSITORY has received joint written notification from COMPANY and DEPOSITOR of the DEPOSITOR’s termination of such authority in such time and in such manner as to afford DEPOSITORY a reasonable opportunity to act on it. Notwithstanding the foregoing, DEPOSITORY shall provide COMPANY and DEPOSITOR with thirty (30) days’ prior written notice of the termination of this authority. If an erroneous debit entry is initiated to DEPOSITOR’s account, DEPOSITOR shall have the right to have the amount of such entry credited to such account by DEPOSITORY, if (a) within fifteen (15) calendar days following the date on which DEPOSITORY sent to DEPOSITOR a statement of account or a written notice pertaining to such entry or (b) forty-five (45) days after posting, whichever occurs first, DEPOSITOR shall have sent to DEPOSITORY a written notice identifying such entry, stating that such entry was in error and requesting DEPOSITORY to credit the amount thereof to such account. These rights are in addition to any rights DEPOSITOR may have under federal and state banking laws.

DEPOSITOR: _____

By: _____

Name:

Title:

Date:

EXHIBIT 11

State Effective Dates

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California:	[PENDING]
Illinois:	[PENDING]
Indiana:	[PENDING]
Michigan:	[PENDING]
Maryland:	[PENDING]
Minnesota:	[PENDING]
New York:	[PENDING]
North Dakota:	[PENDING]
Rhode Island:	[PENDING]
Virginia:	[PENDING]
Washington:	[PENDING]
Wisconsin:	[PENDING]

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT 12

Receipts

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

Except as noted below, if Pirtek USA LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York law requires that Pirtek USA LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Pirtek USA LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit 1.

The name, principal business address and telephone number of each franchise seller offering the franchise is Glenn Duncan, CEO, Nick Ridgway, Franchise Development Manager, and Samantha Emanis, Contracts and ISO Administrator and Leonie Johnson, Franchise Development Administrator, Pirtek USA LLC, 300 Gus Hipp Boulevard, Rockledge, Florida 32955; telephone (321) 701-3330; and _____.

Issuance Date: March 25, 2020

See Exhibit 1 for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 25, 2020 (see state effective dates on state cover page) that included the following Exhibits:

1. State Administrators and Agent for Service of Process
2. Franchise Agreement with Acknowledgment Addendum, State Specific Addenda to Franchise Agreement and Appendices A (Franchised Location, Territory, Promotional Zone), B (Ownership and Management Addendum), C (Marks), D (Addendum to Lease), E (Computer Software License Agreement), F (Draft Authorization), G (Assignment of Telephone Numbers), and H (Assignment of Domain Names and E-Mail Address)
3. Audited Financial Statements
4. Franchisee and Franchisee Termination Lists
5. Form Confidentiality Agreement
6. Form of Renewal Addendum
7. Form of SBA Addendum
8. Form of General Release Agreement
9. Operations Manual Table of Contents
10. Sample Financing Documents
11. State Effective Dates
12. Receipts

Date

Signature

Printed Name

Date

Signature

Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

Prospective Franchisee's Copy

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

Except as noted below, if Pirtek USA LLC offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

New York law requires that Pirtek USA LLC give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Iowa and Michigan law require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Pirtek USA LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit 1.

The name, principal business address and telephone number of each franchise seller offering the franchise is Glenn Duncan, CEO, Nick Ridgway, Franchise Development Manager, and Samantha Emanis, Contracts and ISO Administrator and Leonie Johnson, Franchise Development Administrator, Pirtek USA LLC, 300 Gus Hipp Boulevard, Rockledge, Florida 32955; telephone (321) 701-3330; and _____.

Issuance Date: March 25, 2020

See Exhibit 1 for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated March 25, 2020 (see state effective dates on state cover page) that included the following Exhibits:

1. State Administrators and Agent for Service of Process
2. Franchise Agreement with Acknowledgment Addendum, State Specific Addenda to Franchise Agreement and Appendices A (Franchised Location, Territory, Promotional Zone), B (Ownership and Management Addendum), C (Marks), D (Addendum to Lease), E (Computer Software License Agreement), F (Draft Authorization), G (Assignment of Telephone Numbers), and H (Assignment of Domain Names and E-Mail Address)
3. Audited Financial Statements
4. Franchisee and Franchisee Termination Lists
5. Form Confidentiality Agreement
6. Form of Renewal Addendum
7. Form of SBA Addendum
8. Form of General Release Agreement
9. Operations Manual Table of Contents
10. Sample Financing Documents
11. State Effective Dates
12. Receipts

Date	Signature	Printed Name
------	-----------	--------------

Date	Signature	Printed Name
------	-----------	--------------

Please sign this copy of the receipt, date your signature, and return it to us by: 1) mailing it to Leonie Johnson at Pirtek USA, LLC, 300 Gus Hipp Boulevard, Rockledge, FL 32955, 2) faxing a copy to Leonie Johnson at (321) 701-3322, or 3) emailing it to lejohnson@pirtekusa.com.

Franchisor's Copy