

ITEM 1. THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular the words "Econo Lube," "we," "our" and "us" refer to ECONO LUBE N' TUNE, INC., the franchisor. "You" means the person or entity who buys the franchise. Our principal place of business is 4911 Birch Street, Newport Beach, California 92660.

The Business. "Econo Lube N' Tune & Brakes" centers ("Centers") provide automotive tune-up and brake services, lubrication, oil changes, and certain related minor automotive services to the general public. In our discretion, we might also allow or require you to provide emission testing or repair services, or both. The market for the services you will provide is established, and you must compete for this market with other businesses offering the same or similar services on a local, regional and national basis.

We may also lease or sublease real property to you and our other franchisees. We do business under the name "ECONO LUBE N' TUNE & BRAKES". We also operate an advertising division under the name "Autolife Advertising."

History. We were incorporated in March 1977 under California law (our name was formerly Muffler Crafters International, Inc.). From 1980 to May 1988, we operated and franchised "Muffler Crafters" businesses, which sold muffler and exhaust system, brake, front-end alignment and shock absorber sales, service and installation and certain related minor automotive services. We changed our name to Econo Lube N' Tune, Inc. in July 1985.

Special Industry Regulation. Many states require operators of automotive repair businesses like the "Econo Lube N' Tune & Brakes" Center you will operate, to obtain a state license and there are various consumer protection laws and regulations that will govern the manner in which you operate. If your store will offer emission testing services, there may be Federal, state and local emission testing laws and regulations governing the manner in which these services are offered. You should investigate whether there are regulations and licensing requirements that apply to your Center.

There are a variety of laws and regulations that govern the use, generation, storage and disposal of hazardous materials, and which may require you to file periodic reports and comply with a variety of operating restrictions and duties, and obtain environmental risks insurance. Before purchasing a franchise, you should make an appropriate investigation to determine whether there are any laws, ordinances or regulations which affect the operation of the franchised Center in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

Affiliates. An affiliate of the Econo Lube which operates under the name Econo Lube N' Tune Realty LLC ("ELT Realty"), may lease certain locations to Econo Lube which it will in turn sublease to franchisees. ELT Realty has neither operated nor franchised a business of the type to be operated by you. ELT Realty was organized as a limited liability company under the laws of Nevada on May 23, 1996, under the name Birch Company, L.C. Its name was changed to Econo Lube N' Tune Realty LLC on August 15, 1997. ELT Realty's offices are located at 5052 Crooked Stick Way, Las Vegas, Nevada 89113.

ITEM 2. BUSINESS EXPERIENCE

Robert R. Overdevest, President, Treasurer, Director.

From March 1977 through July 1985, Mr. Overdevest served as Econo Lube's Secretary, Treasurer, Chief Operating Officer and as a Director, and since August 1985 has served as Econo Lube's President, and Treasurer and as a Director.

K. Timothy O'Brien, Executive Vice President, Secretary and Director.

From March 1977 through July 1985, Mr. O'Brien served as President and as a Director of Econo Lube and since August 1985 has served as Econo Lube's Executive Vice-President, Secretary and as a Director.

Fred R. Waechter, Vice President, Director.

Mr. Waechter has been a director of Econo Lube since March 1977, and a Vice President since July 11, 1997. From January 1987 until July 1997, he was a Construction and Operations Manager of Econo Lube.

David Schaefers, Vice President-Franchisee Development

Mr. Schaefers has been Vice President-Franchisee Development for Econo Lube since March 1996. He has been employed by Econo Lube since October 1990, in our credit management department from October 1990 through July 1995, and as Director of Franchisee Relations from July 1995 until March 1996.

Ryan Keller, Director of Franchise Development

Mr. Keller has been Director of Franchise Development for Econo Lube since April 1999. From August 1994 to May 1999, he was Sales Manager for Sunset Bus & Commercial, Inc., a commercial transportation dealer in Santa Fe Springs, California.

Franchise Brokers. In certain geographic areas, Econo Lube utilizes franchise brokers to offer and sell franchises. The prior business experience of franchise brokers, if any, for the geographic territory in which you are located is described in Exhibit "P".

ITEM 3. LITIGATION

CONCLUDED LITIGATION

California Department of Consumer Affairs - Bureau of Automotive Repair ("BAR") Accusation (Case No. 77/94-2). In July 1993, the BAR filed an administrative Accusation against Econo Lube and our president, Robert Overdevest, alleging that a unit we reacquired from a franchisee in Rancho Cordova, California (the "Rancho Cordova Store") operated with an expired BAR automotive repair dealer registration; falsely stated that unnecessary work was needed; charged more than the estimated price without prior authorization, and willfully departed from or disregarded accepted trade standards for good and workmanlike repair. In March 1994, we

settled this matter, (i) agreeing to reimburse BAR's costs of \$7,500, (ii) admitting solely for purposes of the settlement that the BAR had grounds to file the Accusation, and (iii) accepting a revocation of its Rancho Cordova Store dealer registration, subject to a 3 year stay of revocation, after which the registration would be fully restored if we complied with the law and filed reports confirming continued compliance and listing all of our stores and all changes in ownership. However, the possible full restoration of the registration was made moot by later BAR proceedings, as described below.

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Government Funding California Business and Industrial Development Corporation ["Government Funding"], Plaintiff, v. Garden Grove Econo Lube Company ["Garden Grove"], Khosrow Gharib Rashtabadi, Shanin G. Rashtabadi, Shirin T. Larijani, Mohsen Larijani, Econo Lube N' Tune, Inc. and Chicago Title Company, Defendants (Los Angeles County Superior Court Case No. BC 115764)

In November 1994, we were sued along with several other defendants by a lender, Government Funding, for an unpaid debt against (1) Garden Grove (the borrower, and formerly a franchisee of Econo Lube), (2) the principals of Garden Grove as guarantors (i.e., Mr. and Mrs. Rashtabadi and Mr. and Mrs. Larijani), and (3) Econo Lube as an additional guarantor. The claims against us included alleged unjust enrichment (because the proceeds of Garden Grove's loan were paid to us to satisfy a prior debt) and claim and delivery (because our eventual re-taking of Garden Grove's franchise [after it defaulted on its obligations to us] included taking equipment and inventory in which Government Funding claimed a security interest). The principal sum sued for was approximately \$240,000. We denied all material allegations against us and affirmatively alleged that, as is recited in the Loan Agreement for this transaction, our guaranty was limited to three years in duration and had fully expired before Garden Grove stopped making payments on its loan. Discovery (including Government Funding's own documents) confirmed the correctness of our position. In late 1995, we entered into a settlement with Government Funding whereby it paid only \$35,000 in complete settlement of Government Funding's claims (which, including interest and attorneys' fees, actually totaled close to \$300,000). This settlement, which was for only a small fraction of what was claimed, was entered into in order to avoid the further inconvenience and expense of litigation, and the settlement agreement entered into between us and Government Funding expressly recited that the settlement was not an admission of fault whatsoever.

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California Department of Consumer Affairs - BAR Accusations (Case Nos. 77/95-90, 77/96-01, 77/95-52) In February 1995 (case no. 77/95-52) and in June 1995 (case nos. 77/95-90 and 77/96-01), the Bureau of Automotive Repairs, Department of Consumer Affairs ("BAR") filed administrative Accusations against Econo Lube and our president, Robert Overdevest, regarding

three of our company-owned stores, Stores #71 and 131 in Sacramento, California, and Store 130 in Stockton, California. The Accusations generally alleged that employees at these stores: falsely represented that unnecessary work was needed and performed and charged for unnecessary work; charged for and received payment for parts and services not performed; provided false or misleading documentation for the services performed; performed services improperly and disregarded accepted trade standards for good and workmanlike repair; and failed to note odometer readings when necessary, to properly document customer authorizations for additional repairs, to describe all service work performed and parts supplied; and to comply with the estimate requirement for teardown, inspect, report and reassemble.

On or about November 29, 1995, without admitting liability or any wrongdoing, we entered into a Stipulation and Agreement, Decision and Order with the BAR, and a related Stipulation for Entry of Final Judgment, and Final Judgment (the "Judgment") for entry in the California Superior Court for the County of Sacramento (*People vs. Econo Lube N' Tune, Inc., Case No. 95-AS06668, filed November 28, 1995*) (collectively the "Settlement"). Under the Settlement, all of our existing repair dealer registrations for our California company-owned locations, and any registrations issued to us during the next 3 years, would be permanently invalidated, but the invalidation would be stayed and our registrations fully restored in 3 years if we obeyed all laws and regulations relating to providing automotive repair, inspection and diagnostic services to the general public, and all terms and conditions in the Judgment. However, the state of invalidation and possible restoration of registrations was made moot by later BAR proceedings, as described below.

Under the Judgment, we agreed to pay civil penalties and the State's costs and legal fees totaling approximately \$285,000, and to comply with a permanent injunction prohibiting various acts including representing that any part or service is required which is not necessary under State regulations or accepted trade standards, except under specified conditions; representing that any part or service has been performed if untrue; performing any service except in accordance with acceptable trade standards; performing any work following any vehicle diagnostic analysis except under specified conditions; using bait and switch advertising; failing to give written estimates; charging more than the estimate except under specified conditions; charging for any or part or service not provided or as invoiced; or violating any specified State regulations.

Dan Nguyen aka P. Buu - Dan Nguyen v. Econo Lube N' Tune, Inc. (Superior Court of the State of California, County of Alameda, Case No. 762852-8). On March 31, 1989, we sold Nguyen a franchise for a service and repair shop in Fremont, California. On August 1, 1994, after an administrative hearing in which we were not involved, the Bureau of Automotive Repair ("BAR") of the California Department of Consumer Affairs permanently revoked Nguyen's Automotive Repair Dealer registration ("Registration"), thus terminating his legal right to repair cars. We then sued Nguyen to enjoin him from repairing automobiles and/or holding himself out as a franchisee. Later, we dismissed our suit voluntarily without prejudice when we succeeded in evicting Nguyen from his franchise premises in an unlawful detainer action. We also dismissed an arbitration proceeding without prejudice due to unreasonable procedural delays and the fact that Nguyen appeared to be judgment-proof.

On February 1, 1996, Nguyen filed his own Alameda County Superior Court lawsuit (Case No. 762852-8) against us alleging breach of contract, breach of the covenant of good faith

and fair dealing, fraud, negligent misrepresentation, conversion, and a common count in connection with his purchase of his franchise and in connection with property allegedly converted when he was evicted from the premises. He sought damages of \$2,500,000 plus interest, punitive damages, costs, and attorneys' fees. On February 15, 1996 we filed a new arbitration proceeding before the American Arbitration Association (Case No. 72-114-00195-96) requesting (a) a declaration that all of Nguyen's claims in his lawsuit were false, and further requesting (b) an award to us of about \$41,347 for franchise royalties, rents, advertising, parts, oil, and other amounts owed by Nguyen. On our motion, Nguyen's lawsuit was dismissed and he asserted the same allegations in the arbitration proceeding that we filed. On September 3, 1997 the arbitrators awarded us \$49,347.38 and Nguyen \$25,185.72, amounting to a net award in our favor of \$24,161.66. The arbitrator further ruled that neither side was the "prevailing party" for purposes of recovering attorney fees. Each party bore its own costs and paid half of the arbitrator's compensation.

State of Washington Investigation. In June 1996, the Office of the Attorney General of the State of Washington ("Washington Attorney General") served us with a document entitled Civil Investigative Demand for Document Production, which requested that we produce certain documents concerning its ongoing investigation of our alleged past or current violations of law involving unfair and/or deceptive acts or practices in the repair of automobiles and unfair business practices. On October 15, 1996, we were delivered drafts of the following documents: (1) Complaint for Injunctive and Other Relief Pursuant to the Unfair Business Practices--Consumer Protection Act, Ch. 19.86 RCW and the Automotive Repair Act, Ch. 46.71 RCW ("Complaint"), (2) Consent Decree, and (3) Assurance of Discontinuance. The named Defendants in these draft documents were the Company, its President Robert R. Overdeest, its Vice President K. Timothy O'Brien, and their "Jane Doe" purported spouses.

The Complaint alleged that we failed to properly prepare customer invoices in sufficient detail, failed to properly receive or document customer authorization for work exceeding the original estimate, failed to post a proper notice of customer rights in its shops, provided coupon advertisements which had the capacity to be false, deceptive, and misleading with regard to actual cost to the customer, materially understated or misstated the estimated price for a specified repair, retained a customer's payment for parts not delivered or installed or a labor operation or repair procedure which was not actually performed, and failed to retain and make available for inspection for the time period required copies of customer price estimates and invoices ("Prohibited Activity"). The Complaint sought declaratory relief, injunctive relief, orders for consumer restitution, civil penalties, and costs of suit including attorneys' fees. The Consent Decree proposed a monetary judgment against the Company with an additional sum in proposed civil penalties to be suspended upon compliance with the Consent Decree.

On August 14, 1997, without admitting or denying the State's allegations, we entered into a Consent Decree, agreeing to pay costs and attorneys fees totaling \$11,041, consumer restitution totaling \$3,836.24, and civil penalties (suspended provided we comply with the terms of the Consent Decree) of \$25,000. We also agreed that we would refrain from engaging in any Prohibited Activity and agreed to retain and make available for the State's inspection copies of our written price estimates and invoices for at least one year after the service are performed.

Demirjian v. Econo Lube N' Tune & Brakes, Inc. (J.A.M.S. Proceeding no. 1200026450) On or about January 27, 1999, our franchisee, Jack Demirjian, filed a demand for arbitration against us before J-A-M-S/Endispute, Inc.. Mr. Demirjian seeks money damages (including costs of the arbitration and attorneys' fees) alleging, totally without explanation, "breach of contract", "fraud", and "lost profits". We have responded with a denial of all of his allegations and our own demand for arbitration to seek recovery of monies he owes to us and damages for conversion of certain of our property. After a hearing was scheduled J.A.M.S. vacated the action without prejudice when Demirjian failed to pay his share of the arbitration fees.

Econo Lube, Inc. vs. Lorenzo Tant. (J.A.M.S. Proceeding No. 1256001400) On or about January 23, 1998, Econo Lube filed a Demand for Arbitration against Lorenzo Tant, who formerly had owned and operated a franchise in Irving, Texas. Econo Lube had already evicted Mr. Tant from the franchised premises through an unlawful detainer lawsuit in Texas for failure to pay his rent, and received a judgment against him. On or about July 6, 1998, we received a letter from an attorney representing Mr. Tant, which claimed that Econo Lube had violated the Texas Deceptive Trade Practices - Consumer Protection Act because, allegedly: some of the equipment sold or leased to Mr. Tant by Econo Lube was not delivered and/or was not in working order; the building and site for his franchise did not comply with all laws concerning hazardous waste and environmental protection, causing him extra costs for equipment and a city license; and no credit was given to him for work completed under warranty provisions. On January 11, 1999, we entered into a Settlement Agreement and Mutual Release with Mr. Tant (the "Settlement") wherein we agreed to pay the costs of the above-noted J.A.M.S. proceeding; to pay Mr. Tant \$7,500; to pay all taxes due on the building where Mr. Tant's prior franchise was located; and to refrain from collecting upon our judgment against Mr. Tant and file papers acknowledging full satisfaction of such judgment. The Settlement resolved and settled all disputes between us and included a mutual release of all claims against or between the parties.

Drake et al. v. Econo Lube N' Tune, Inc., et al., (Case No. 317538 CA Sup Ct. Riverside). On September 10, 1998, our franchisee, Clifford P. Drake and Patricia K. Drake (the "Drakes"), filed a complaint against us alleging breach of contract, fraud and misrepresentation and seeking compensatory damages, including lost profits, punitive damages, attorneys' fees and other costs. They alleged that we misrepresented the status of our business, including our economic strength and economic strength of our franchisees and breached the express terms of their franchise agreement and the implied covenant of good faith and fair dealing. On January 14, 1999, we entered into a Settlement and Mutual Release Agreement (the "Settlement") with the Drakes, resolving all disputes between us, and including a release of all known and unknown claims which arose prior to the date of the Settlement. The Drakes will allow us to use their franchised store as a corporate training facility and we have granted them an additional 5 year renewal option and provided certain financial concessions including a reduction in their monthly base rent for premises and equipment to \$4,700; a 7% discount and \$3,000 credit on parts and inventory purchases; and reimbursement of half of the cost to replace existing signs and paint the store exterior; we will bring the premises waste oil tank into compliance with current law. We have also granted the Drakes or their son an option to obtain a franchise for our Fallbrook, California company-owned store on mutually agreed upon terms, including no initial franchise fee; a 7% discount and \$6,000 credit toward parts and inventory purchases; \$3,000 in advertising credits; and a \$60,000, 10 year secured loan for certain startup costs (the Drakes' son subsequently exercised this option). We will also be allowed to use this store as a corporate training facility,

and agreed that we would have taken back the store at any time within the first 9 months at the franchisee's election (the 9-month period has now expired).

California Department of Consumer Affairs - Bureau of Automotive Repair ("BAR") Accusation and Petition to Revoke Probation (Case Nos. 77/99-2 and 77/98-85) (the "Accusations"). In July 1998 (Case No. 77/99-2), and as supplemented in August and October 1998, and March 1998 (Case No. 77/98-85), the BAR filed the Accusations against Econo Lube and our president, Robert Overdevest, regarding eighteen (18) company-owned stores in California, Store #20 in Lawndale, Store #66 in Barstow, Store #69 in San Leandro, Stores #70, 92, and 106 in Fresno, Store #71 in Sacramento, Store #73 in El Cajon, Store #79 in Fontana, Store #110 in Clovis, Store #122 in Imperial Beach, Store # 167 in Redding, Store #182 in La Mesa, Stores #196 and 201 in San Diego, Store #204 in Hesperia, Store #219 in Chico, and Store #222 in Santa Rosa (collectively, the "Stores"). Although the specific allegations concerning each store vary, the Accusations generally allege that Econo Lube, by and through its employees at the Stores, violated the Automobile Repair Act and various sections of Title 16, California Code of Regulations by supposedly engaging in the following activities: failing to provide the customer with a proper written estimate, to properly document a revised estimate, to properly describe all service work performed and parts supplied, to disclose conditions and/or limitations to a guarantee or warranty; falsely representing that work or services were necessary, the consequences of failing to make certain repairs, or that certain repairs or services would correct a particular problem; falsely representing that work or services were completed, that work would cost a certain amount and subsequently charging a higher amount; providing false or misleading documentation with respect to the parts provided; gross negligence, with respect to releasing a vehicle to the customer in a condition which could lead to an unsafe condition; failing to honor advertisements; charging for and receiving payment for parts and services which were not authorized, performed or replaced, and/or necessary; performing services improperly and disregarding accepted trade standards for good and workmanlike repairs; failing to properly note the store's correct automotive repair dealer registration number, and, when necessary, odometer readings, and; failing to properly document and/or obtain proper customer authorization for additional repairs, and to describe all service work performed and parts supplied. In July 1999, we settled the Accusations, agreeing (i) that all licenses held by Econo Lube and Robert R. Overdevest in connection with the above listed stores, or any others, would be revoked by the BAR; (ii) that Econo Lube and Mr. Overdevest shall surrender any evidence of such licenses; and (iii) to pay the BAR \$250,000 or the actual costs of its investigation, which ever is less, payable in monthly installments of \$5,000, provided that such amount shall be paid as a part of the stipulated judgment described above in the matter of The People of the State of California v. Econo Lube N' Tune et al., and provided further that said settlement shall be effective as of August 16, 1999.

The People of the State of California v. Econo-Lube N' Tune, Inc. et al. (Case No. 636141-4; CA Sup. Ct. Fresno). On August 17, 1999 the District Attorney for the County of Fresno filed a complaint (the "Complaint") in the Superior Court seeking to permanently enjoin us and our president, Robert Overdevest, from engaging in false or misleading advertising or engaging in unfair and fraudulent business practices; to obtain disgorgement of profits or restitution to certain specified individuals and for California consumers, generally; reimbursement of investigative costs; and damages in the amount of \$2,500 per violation of certain sections of the California Business and Professions Code and seeking \$6,000 per violation of the injunction ordered in

Case No. 95-AS06668, below. The Complaint generally alleges that Econo Lube, by and through its employees at the Stores, violated California law by supposedly engaging in the following activities: falsely representing the condition of vehicles, necessary repairs, that repairs were actually made, that certain parts were installed; making false or misleading advertisements; withholding or inserting information on a work order that was false or misleading; failing to follow accepted trade practices; failing to obtain and/or properly document customer authorization and/or consent for additional work; failing to provide customers with copies of documents; failing to state if rebuilt or reconditioned parts were used; using uncompleted acknowledgments; failing to provide customers with legible copies of documents with required information provided on such documents; allowing customers to sign documents with incomplete information; and gross negligence. On August 17, 1999 we agreed to a final judgment and permanent injunction ("the Judgment") settle this matter. We agreed, without making any admissions of liability or wrongdoing: (i) to an injunction prohibiting us from, directly or indirectly, engaging in false or misleading advertising, engaging in unfair and fraudulent business practices, and violating California's Automotive Repair Act; (ii) to pay restitution in the amount of \$1,601,128.16 by making a cash payment totaling \$1,128.16 to certain individuals and paying the remaining \$1,600,000 to California consumers through a "Coupon Program" offered between October 1, 1999 though September 30, 2002; (iii) to pay the BAR \$250,000 or the actual costs of its investigation, which ever is less; (iv) to pay civil penalties to the county of Fresno in the amount of \$650,000, of which \$500,000 of such amount shall be secured by deed(s) of trust, mortgages or other security devices. Pursuant to the terms of the Judgment, you may obtain a copy of the Judgment upon request until August 17, 2004.

In re Econo Lube N' Tune, Inc. (Case No. SA 99-21111-JR; U.S. Bankruptcy Court C.D.CA). In July 1999 we filed an served upon Reynaldo Rojas, our franchisee, a Complaint ("Complaint") (Case No. 99-2-15249-2 SEA; WA Sup. Ct. King) for unlawful detainer and order to show cause, seeking to evict him from his franchised business. In or about July 23, 1999, Mr. Rojas responded to the Complaint by denying our allegations and filed a counterclaim for (1) rescission, (2) violations of the Washington Franchise Investment Protection Act (including allegations of the illegal offer and sale of a franchise, failure to comply with disclosure requirements, misrepresentations, omissions, and failures to disclose, discrimination, unfair and unreasonable overcharges, breach of a duty to deal in good faith, entering into illegal contracts, wrongful termination of his franchise Agreement), (3) breach of contract, (4) common law fraud, (5) negligent misrepresentations, and (6) interference with economic relations. On January 26, 2000 the bankruptcy court issued an Order confirming the parties' settlement of their claims. Under the Order, Mr. Rojas was permitted to continue to operate Econo Lube N' Tune store number 158 ("Store 158") until March 31, 2000. Mr. Rojas was required to pay us rent and maintain all of our property throughout the period that he operated Store 158. After taking this store back, we closed it in August 2000. In addition, the parties' mutually released all claims which either of us may have against the other relating to the franchise agreement, sublease, and any other agreement between us.

Mooney v. Econo-Lube N' Tune, Inc., et al. (Case No. 729235 CA Sup. Ct. San Diego) On March 24, 1999, Sean E. Mooney, allegedly a customer of ours, filed a class action complaint against us, Robert Overdevest, our chief executive officer and a director, Stan Hartsock, who was our national operations manager, and Keith Richter, who was then one of our operations managers. Mr. Mooney later joined as a defendant David Schaefer, our Vice President-

Franchisee Development. Mr. Mooney alleged fraud, negligence, unfair competition, and violation of the California Consumer Legal Remedies Act. He alleged that our Company-owned stores engaged in fraudulent repair practices by urging customers to authorize service and repairs that were not necessary, and that we charged customers for service or repairs that were not performed, charged for parts not installed, and charged for new parts or new factory parts when reconditioned parts or non-factory parts were installed. Mr. Mooney, on behalf of himself and the class, sought to enjoin us from continuing such alleged practices, appointment of a receiver to oversee our continued operations, and money damages, including, restitution, disgorgement of profits, statutory damages, punitive damages, attorney fees and costs. On September 20, 1999, the Court denied class certification, and granted our demurrer and motion to strike in part, leaving only certain of Mooney's individual claims to be litigated. The matter was settled in March 2001. In exchange for mutual releases of all concerned, Econo Lube's insurance carrier paid Mr. Mooney \$25,000.

Treasure Valley Investments LLC, Todd Jarkovsky, and Gary Nelson v. Econo Lube: (Judicial Arbitration & Mediation Services, Inc. ("JAMS") Reference No. 1200032252.) On or about March 31, 2002, Econo Lube sold a franchise in Boise, Idaho, to Treasure Valley Investments LLC. Todd Jarkovsky and Gary Nelson are the principals of Treasure Valley, guaranteed the performance of all of its contracts with Econo Lube, and were contractually designated by Treasure Valley as its "Designated Franchisee Representative" required to devote their best efforts exclusively to the operation and business development of that franchise. Contracts for the sale of this franchise also provided that Econo Lube granted Treasure Valley the first right of refusal to purchase any new or existing franchise located or to be located in Ada or Canyon Counties in Idaho. On or about August 8, 2002, Econo Lube commenced an arbitration against Treasure Valley and Messrs. Jarkovsky and Nelson, alleging that all of them were in breach of the obligations of "Designated Franchisee Representative" and further alleging that Econo Lube had fulfilled its obligations under its first right of refusal with regard to two franchises Meridian, Idaho, and Boise, Idaho, which had been sold to other parties. On or about August 22, 2002, the Respondents answered Econo Lube's demand for arbitration by denying the material allegations against them, and including a Counterclaim alleging that Econo Lube had failed to offer the other two franchises to them in violation of the first right of refusal, and that those two franchises and another nearby franchise had been operated by Econo Lube in violation of its contracts with the Respondents, in a manner designed to frustrate the purpose of such contracts by making it impossible for the Respondents' franchise to earn a profit. Specifically, the Respondents alleged that those other franchises offered products and services significantly below actual cost in order to force the Respondents out of business so Econo Lube supposedly could resell their franchise or in order to inflate car counts. This alleged conduct is claimed to have reduced profits at the Respondents' franchise and to have reduced their profits in an unspecified amount. The Counterclaim prays for damages in an unspecified amount, along with costs and attorneys' fees. Econo Lube has denied all of these claims against it.

In March, 2003, before any discovery was taken or any hearing conducted in this matter, the parties entered into a confidential settlement agreement by which Econo Lube agreed to cancel the note in favor of Econo Lube in the amount of \$20,001.08, and transfer title to equipment which had been leased to Respondents having an approximate value of \$49,440.98, and the parties mutually agreed to amend their franchise agreement, among other things, to provide for a

graduated scale royalty, reduced Advertising Fund contributions and Local Advertising Fee, whereupon their arbitration was dismissed in full.

E.Z. Ent. and Michael Hanks vs Econo Lube, David Schaefer aka Dave Schaefer and Robert Overdevest (Shasta County, California Superior Court Case No. 146780). On or about February 6, 2002, Econo Lube and E.Z. Ent. entered into a series of contracts for the sale by Econo Lube to E.Z. of a franchise in Redding, California. Michael Hanks is an individual who is the principal of E.Z. On or about August 26, 2002, Econo Lube commenced an arbitration (JAMS Reference No. 1200032290) against E.Z. and Mr. Hanks, alleging that E.Z. had failed to accurately report its sales and gross revenues and had failed to pay a percentage of royalties and advertising fees based upon such sales, that Mr. Hanks had refused to pay the sums owed notwithstanding the fact that he is a guarantor of E.Z.'s obligations, and that E.Z. had removed Econo Lube's signage and other identification from its franchise store and had commenced operation under a different name. On or about September 16, 2002, Mr Hanks and E.Z. commenced a lawsuit in Shasta County, California against Econo Lube and two of its officers, Robert Overdevest and David Schaefer. The complaint in that action alleges rescission of the franchise agreement and the guaranty executed by Mr. Hanks on account of alleged failure to deliver an offering circular in connection with the franchise sale and damages for alleged intentional misrepresentation in connection with said sale. Restitution of the price of the franchise \$29,500 is alleged in the complaint, along with compensatory damages, punitive damages, attorneys' fees, and costs in amounts which are not specified. Econo Lube has denied all of these claims against it.

In December, 2002, before any discovery was obtained or any arbitration hearing conducted, the parties entered into a confidential settlement agreement without any admission of liability on the part of any party, by which the parties mutually agreed to terminate the franchise agreement and guaranty were terminated, and Hanks agreed to pay Econo Lube \$5,000.

Claims By and Against D.E. Bush & Associates LLC and Donald E. Bush: D.E. Bush (JAMS Reference No. 1200032935). D.E. Bush & Associates, LLC ("Bush LLC") purchased two of the Company's franchises in the Boise, Idaho area on or about June 19, 2002. Its obligations were guaranteed by its principal, Donald E. Bush ("Mr. Bush"). On January 14, 2003, Bush LLC filed suit in State of Idaho, seeking restitution based upon alleged fraud, damages based upon alleged fraud, damages based upon purported breach of the implied covenant of good faith and fair dealing, punitive damages, attorneys' fees, and legal costs. The Company successfully moved the Court in Idaho to stay proceedings there since the parties were subject to an arbitration clause, and the Company filed an arbitration in Orange County, California seeking a declaration that all of Bush LLC's claims against the Company were false and that Bush LLC and Mr. Bush as its guarantor were obligated to the Company for damages for unpaid rent payments, promissory note payments, royalties, and advertising fees, along with attorneys' fees and costs. While the arbitration was pending, Bush LLC vacated the franchised premises on the eve of trial in the unlawful detainer case brought by the Company in Boise. A hearing was conducted in the arbitration, and the arbitrator issued an interim award. In October, 2003, after the interim award was issued, the Company, Bush LLC, and Mr. Bush entered into a confidential settlement agreement by which we agreed, without admission of liability by either party, to pay \$240,000, and which called for the arbitration to be suspended and then dismissed upon completion of the terms of the parties' settlement agreement.

Other than these 21 actions, no litigation is required to be disclosed in this Offering Circular.

Franchise Brokers. The litigation history of our of franchise brokers, if any, for the geographic territory in which you are located, is described in Exhibit "P".

ITEM 4. BANKRUPTCY

Four years ago, on November 8, 1999, Econo Lube N' Tune, Inc. ("Econo Lube"), filed a petition under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court, Central District of California. The resulting Chapter 11 case was styled In re Econo Lube N' Tune, Inc., Case Number SA-99-21111 JR. On January 3, 2001, the United States Bankruptcy Court entered an order confirming Econo Lube's *Third Amended Chapter 11 Plan of Reorganization* (the "Plan"). The Plan went effective on April 3, 2001 (the "Effective Date").

In summary, the Plan provides that the claims of creditors will be paid over time, through varying methods, and at varying percentages, depending upon the particular classification of the claim. Pursuant to the terms of the Plan, Econo Lube will not obtain a discharge until it has performed its obligations under the Plan, and obtained a Final Decree from the United States Bankruptcy Court. Econo Lube is compliance with its obligations under the Plan.

Other than this one filing, no person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5. INITIAL FRANCHISE FEE

Initial Franchise Fee. You will normally pay a \$29,500 initial franchise fee (or \$49,500 in the case of "Special Opportunity" Centers, as described below), payable when we have completed all of our initial obligations under your Franchise Agreement and you open your Center to the public for business. We may offer to finance all or a part of this amount under certain circumstances, See Item 10 below. Except as described below, the initial franchise fee is uniform for all franchises currently offered in this state, though it may differ from state to state.

No Refund. The initial franchise fee is not refundable unless we are unsatisfied with your pursuit and completion of our training program, in which case we may elect to rescind the Franchise Agreement and refund the initial franchise fee. We will use the initial franchise fee for our general business purposes and we do not allocate any sum to any specific expense that we may incur under the Franchise Agreement.

Purchase of Existing Centers. We often franchise existing "Econo Lube N' Tune & Brakes" centers that we previously operated or that we acquired from former franchisees. Although our current initial franchise fee for existing Centers in this state is \$29,500 (\$49,500 for "Special Opportunity" Centers), the total purchase price for those Centers, including the initial franchise fee, existing inventory, lease or sublease payments, if any, and equipment lease or sublease payments, if any, is subject to negotiation based on the going concern value of the existing

business. The purchase price will typically be paid on a mutually determined closing date, unless financed as described in Item 10 below.

Special Opportunity Centers. We have available for sale a limited number of "Special Opportunity" Centers that are currently operated by us. Some of these Special Opportunity Centers are geographically remote, and some are not performing to our satisfaction (and in some cases may be losing money). The initial franchise fee for a Special Opportunity Center is \$49,500, but as described in Item 6, below, you will pay us only a limited Continuing Royalty. In addition, if you buy a Special Opportunity Center, you must purchase from us the existing inventory (at replacement value) and lease or sublease the Center and its equipment from us. As described below in Item 19, we will provide you with information concerning the operations of the Special Opportunity Center you are considering before you purchase.

Pre-paid Advertising Fee. If you are signing your Franchise Agreement in connection with the purchase of a Company-owned Center, you must pay a \$2,500 pre-paid advertising fee when we have completed all of our initial obligations under your Franchise Agreement and you open your Center to the public for business, to cover the estimated costs which we typically have incurred for advertising purchased by us before your opening but relating to periods after you open. The pre-paid advertising fee is \$2,500 even though the actual costs we have incurred may be more or less than this amount.

Security Deposit. In addition, you must deposit with Econo Lube when you sign the Franchise Agreement, \$2,500 as security for your performance under the Franchise Agreement. If you breach any provision of your Franchise Agreement, including the payment of your Continuing Royalties and Advertising Fees, we may use all or any part of the security deposit for the payment of the sums you owe Econo Lube, or to compensate us for any loss or damage caused by your default. Within 60 days after expiration of your Franchise Agreement, if you are not in default under your Franchise Agreement, we will return the balance of your security deposit, if any, to you, less the total of (a) our estimated costs to make cosmetic changes to your Center so that it no longer resembles our proprietary designs and trade dress, plus (b) any other amount we deem reasonably necessary to compensate us for any other loss or damage, foreseeable or unforeseeable, caused by your acts or omissions, or by the acts or omissions of any of your officers, employees, agents, contractors or invitees. If you purchase a Special Opportunity Center, we may, in our sole discretion, waive the Security Deposit.

Application Fee. You must pay an Application Fee of \$250 when you sign your Franchise Agreement.

Training Fee. If you are purchasing a Center from an existing Franchisee, you or the seller must pay a training and transfer fee as described in the seller's Franchise Agreement and we will provide up to 2 weeks training (the second week is at your option) at our training center in the Phoenix, Arizona area. At your request, and subject to the availability and scheduling requirements of our training personnel, we will conduct the second, optional week of training at your Center, but you must pay an additional training fee of \$1,500 to cover our costs of doing so. There is no additional charge for training if you are signing your Franchise Agreement in connection with the purchase of a Company-owned Center.

Range of Initial Fees During Prior Fiscal Year. The initial franchise fees (including all pre-opening payments made to us for goodwill, lease rent, security deposits, inventory, incidental personal property, equipment purchases and lease or sublease payments, if any, and other payments) paid for franchises entered into during our fiscal year ended July 31, [^]2005, ranged from a low of \$[^]55,000 to a high of \$[^]145,000. The factors that influenced the total amount paid by each franchisee included the prior performance history of the store, the length of time it had been previously operated, and the actual rent, security deposits, and actual inventory levels for that store.

ITEM 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Continuing Royalty ^{1/}	5% of Gross Revenues or a weekly minimum of \$ [^] 523/92, whichever is greater.	Hand delivered to Econo Lube by Wednesday of each week (or postmarked by Tuesday)	Gross revenues includes all revenues from the franchised Center, except sales, use or excise taxes, your actual cost of certain large items sold to customers. Not more than once every two years beginning January 1, [^] 2007, the dollar amount to the left shall be adjusted by the percentage increase in the Consumer Price Index ("CPI"). For Special Opportunity Centers, we may, in our sole discretion, waive the minimum Continuing Royalty, in which event your Continuing Royalty will be 5% of your Gross Revenues.
Service Fee ^{1/}	\$ [^] 29.10	Same as royalty fee	Not more than once every two years beginning January 1, [^] 2007, the dollar amount to the left shall be adjusted by the percentage increase in the Consumer Price Index ("CPI")
Advertising Fund ^{1/}	.5% of Gross Revenue.	Same as royalty fee	
Local Advertising Fee ^{1/}	5.5 % of Gross Revenues or a weekly minimum of \$500, whichever is greater.	Same as royalty fee	For Special Opportunity Centers, you will not be required to pay this amount. We recommend, however, that you spend at least 5.5% of your Gross Revenues on local advertising each month.
Renewal Fee	\$2,500	On signing new Franchise Agreement	
Transfer Fee ^{2/}	\$3,000	Before transfer If the proposed transfer is not consummated, instead of the \$3,000 Transfer Fee, you must reimburse us for our costs and expenses incurred in connection with the proposed transfer	Payable by you only if you transfer your franchise.
Training Fee ^{2/}	\$5,000	Before transfer	Payable by you or your transferee only if you transfer your franchise. If we, in our sole discretion, determine that the transferee is sufficiently experienced, we may allow the transferee to train at home from our training materials and not complete our training program, in which event we may waive all or part of the Training Fee.
Audit ^{1/}	Cost of audit	On demand	Payable only if the audit shows an understatement of more than 3% of gross revenues for any period.
Interest ^{1/}	Prime rate plus 2%	Continues to accrue until paid	Payable only if you do not pay any portion of any sums due to Econo Lube when due
Late Fee ^{1/}	\$100 per week	Continues to accrue until paid	\$100 payable for each week you are late in delivering to Econo Lube your continuing royalty payment, advertising fee payment, gross revenue report, or service invoice copies
Insurance ^{3/}	Amount of Unpaid Premiums	Upon demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you
Lease Payments ^{4/}	Amount of Monthly Lease Payment	On the first day of each month	Payable to Econo Lube only if you lease your location from us under our lease (Exhibit "B") or sublease (Exhibit "C")

1/ All fees are imposed by and are payable to Econo Lube, and are non-refundable. "Gross Revenues" includes all revenues from the franchised Center, except sales, use or excise taxes, your actual cost of certain large items sold to customers. You may not exclude from Gross Revenues payments made to certain related parties.

2/ As described in Item 5, if you are purchasing a Center from an existing Econo Lube franchisee, you or your seller must pay a training and transfer fee as described in the seller's Franchise Agreement. We will provide up to 2 weeks training (the second week is at your option) at our training center in the Phoenix, Arizona area. At your request, and the timing subject to the availability and scheduling requirements of our training personnel, we will conduct the second, optional week of training at your Center, but you must pay an additional training fee of \$1,500 to cover our costs of doing so.

3/ You must maintain insurance of the types and minimum amounts (naming us, and our designees, as additional insureds) that we specify in your franchise agreement, real property lease or sublease, the Operations Manual, or in supplementary notices. Required coverage may include storage tank insurance and other coverage concerning environmental protection laws and requirements. You may obtain additional insurance as you may desire. Insurance policies may not be subject to amendment or cancellation without at least 10 days' prior written notice to us. You must provide certificates of insurance evidencing coverage on an ongoing basis.

4/ See Item 7 for information concerning estimated lease payments.

ITEM 7. THE FRANCHISEE'S INITIAL INVESTMENT

NATURE OF INVESTMENT	HIGH/ LOW RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
Initial Franchise Fee (See Note 1)	\$29,500 to \$49,000	Lump Sum	When you open your Center to the public	Econo Lube
Pre-Paid Advertising Fee (See Note 2)	\$2,500	Lump Sum	When you open your Center to the public	Econo Lube
Security Deposit (See Note 3)	\$2,500	Lump Sum	On signing a Franchise Agreement	Econo Lube
Application Fee	\$250	Lump Sum	On signing a Franchise Agreement	Econo Lube
Travel and Living Expenses While Training (See Note 4)	\$2,000 to \$3,000	As incurred	During Training	Airlines, Hotels, restaurants
Real Property (if leased or subleased) (See Note 5)	\$6,000 to \$12,000	Lump Sum	Monthly	Econo Lube or third party lessors
Equipment and other fixed assets (See Note 6)	\$1,700 to \$2,100	Lump Sum	Before Opening	Econo Lube or Suppliers
Computer System (See Note 7)	\$0 to \$7,500	As Arranged	As Arranged	Econo Lube
Waste Oil Tank (See Note 8)	\$1.08 to \$15,000	Lump Sum	On signing of Franchise Agreement	Econo Lube or Suppliers
Diagnostic Scanning Equipment (See Note 9)	\$5,000	As Arranged	Before Opening	Supplier
Opening Inventory	\$12,000 to \$15,000	Lump Sum	Before Opening	Econo Lube or Suppliers
Security deposits, utility	\$ 9,000 to	As incurred	As incurred	Lessors, Econo Lube and insurance

NATURE OF INVESTMENT	HIGH/LOW RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAID
deposits, insurance, other prepaid expenses (See Note 10)	\$17,000			carriers
Pre-Opening Payroll (See Note 11)	\$ 2,500 to \$7,500	As incurred	As incurred	Employees and third parties
Additional Funds - 3 months (See Note 12)	\$72,100 to \$84,840	As incurred	As incurred	Employees and third parties
TOTAL	\$145,051.08 to \$223,690			

NOTES

1. If you purchase an existing "Econo Lube N' Tune & Brakes" Center that we previously operated or that we acquired from a former franchisee, the total purchase price for the Center, including the initial franchise fee and real property and equipment sublease payments, if any, will be determined by negotiation with you and may be lower or higher than the quoted estimate, and may also include a sum representing the going concern value of the existing business (See Item 5 for details). If you purchase a Center from an existing Econo Lube franchisee, your purchase price is determined by you and the selling franchisee, and you do not pay us an Initial Franchise Fee (though you or your seller will pay us a training and transfer fee as specified in your seller's franchise agreement, and you may pay us, in addition, the sum of \$1,500 if you want us to provide part of your training at the Center you are purchasing; see Note 4 below.)

2. The Pre-Paid Advertising Fee is payable only if you are purchasing as existing Company-owned Center (i.e., not if you are purchasing from an existing franchisee), and is not refundable under any circumstances.

3. Within 60 days after expiration of your Franchise Agreement, if you are not in default under your Franchise Agreement, we will return the balance of your security deposit, if any, to you, less the total of (a) our estimated costs to make cosmetic changes to your Center so that it no longer resembles our proprietary designs and trade dress, plus (b) any other amount we deem reasonably necessary to compensate us for any other loss or damage, foreseeable or unforeseeable, caused by your acts or omissions, or by the acts or omissions of any of your officers, employees, agents, contractors or invitees

4. These figures include estimated travel and accommodation expenses of between \$2,000 to \$3,000 for one person attending the initial training program. If more than one person attends training, these figures should be increased accordingly. If you are purchasing from an existing Econo Lube franchisee, your training will be conducted in Phoenix, Arizona for up to two weeks; the second week is at your option, and you may have us conduct this optional second week at your Center for an additional \$1,500 fee.

5. If you are buying a Center from us or an affiliate (not applicable in the case of a renewal or if you purchase from an existing franchisee), we will provide you with a \$2,500 (\$5,000 if your Center has been in operation for more than 7 years before your purchase) credit against your first month's rent to provide you with working capital to use to upgrade equipment,

to refurbish your Store premises, to purchase software or software upgrades or for any other purpose which you deem appropriate. These figures represent your estimated base rent for the first month (without the credit), which is typically paid on signing the real property lease or sublease, for a fully constructed and improved building meeting our current standard plans and specifications. Your lease will be "triple net" and will also require payments, which may total from \$7,000 to \$17,000 or more per year, for property taxes, common area maintenance charges and, possibly, state renter taxes (in Arizona and some other states) or other charges. Under a sublease, your monthly rent will usually be at least 10% higher than our Master Lease rent, we will determine your rent (subject to negotiation, based in part on our assessment of the value of the location) and may be substantially higher than our Master Lease rent and sometimes higher than fair market rental rates. Sublease rent will also include an amount equal to 1.25% of the aggregate contribution we have made to fund the construction and improvement of the premises above the contribution, if any, of our Master Lessor (subject to cost of living increases). If you enter into a ground lease with a third party lessor for unimproved property, requiring the construction of the building, the lessor may require the payment of an initial fee or a substantially larger than usual initial deposit. If you purchase rather than lease the franchised location, your initial investment will be substantially higher, and we cannot meaningfully estimate the cost which you may incur. If you fund the construction of the building itself, you will incur substantial additional construction costs. We estimate that the cost to construct a standard building and improvements will range from \$250,000 to \$450,000, depending among other things upon particular zoning and use requirements, building size, financing fees and costs, on-site and off-site development costs, utility hook-up fees, and architectural and engineering fees.

6. These figures represent our estimate of one month's equipment rent (excluding waste oil tank), at typical capitalization rates prevailing as of the date of this Offering Circular (i.e., approximately equal to 1.4% of the total), for new equipment (excluding waste oil tank) having a total estimated value of between \$70,000 to \$95,000. If you are acquiring an existing Center (whether from us, our affiliate, or from an existing franchisee), some or all of your equipment will be used and your equipment costs will therefore be lower. If you lease your location from us, we will typically include the cost of leasing equipment and various other personal property located on the premises under the real property lease or sublease for the location. If you purchase an existing company-owned Center from us, you must assume (or sublease) all computer and equipment leases then in effect for the Center. We will provide the personal property covered by the real property lease or sublease, or separate equipment lease or sublease, if applicable, "AS-IS" without warranty. You may use the money saved under the \$2,500 (or \$5,000, if applicable) rent credit described in paragraph 5 above to repair or upgrade equipment as needed. If you elect to purchase equipment, or if lease financing is not available to you, you should anticipate additional cash requirements of \$70,000 to \$95,000.

7. As described in Item 11, described in Item 11, we do not require you to purchase or lease a point of sale computer system. However, many of our franchisees have chosen to purchase the point of sale computer system described in Item 11, and you may desire to do so as well. If you are purchasing an existing Econo Lube N' Tune & Brakes Center from us, any of our affiliates, or a franchisee with an existing system, you must purchase the existing system. Currently, we charge \$7,500 (though we may reduce this charge for older equipment) for an existing point of sale system in an existing Center. If we finance your purchase of the point of

sale system, you must pay us \$2,500 when you sign your Franchise Agreement, and \$150 per month until paid in full. We will credit the \$150 monthly payment against the sums you must pay us as a local advertising fee. As described in Item 8, you must purchase and maintain a personal computer capable of running the current version of the Alldata® Factory-Correct Automotive Repair Information software.

8. Whether you purchase a company-owned Center from us or our affiliate, or purchase a Center from an existing Econo Lube franchisee, you will purchase and acquire title to the underground or above-ground Waste Oil Tank. It is your responsibility to insure that it meets all underground or above-ground storage tank legal requirements. The high figure represents our estimate of the typical range of costs to repair a Waste Oil Tank to bring it into compliance with current law, however, depending on the repairs and remediation, if any, which may need to be performed relating to your Waste Oil Tank, it is possible that your costs could be substantially higher.

9. Your Center must have a current state of the art diagnostic scanning device. We do not include diagnostic scanning equipment in connection with the sale of a company-owned Center, so you must buy one following your purchase. If you are purchasing a Center from an existing Econo Lube franchisee which does not have a current state of the art scanning device, you must purchase a new current state of the art device.

10. Security deposits are normally refundable, absent your default. All telephone numbers are in Econo Lube's name, with the invoice addressed to the franchisee. We will not charge you for any security deposit charged to Econo Lube by any telephone company.

11. The figures contemplate that you may have to pay payroll expenses for between 1 to 3 weeks before opening to the public at the rate of approximately \$2,500 per week. If you hire staff more than 3 weeks before opening, or if opening is delayed, your actual expenses may be higher.

12. These figures cover a three month period, and assume that you will receive no operating income during this period, and cover only the following costs: three months payroll (and related taxes and payroll expenses) for a minimal staff, real estate costs for the second and third month of operation (the first months' rent is covered under the "Real Estate" line), utilities, insurance, uniforms, bookkeeping. The estimates do not cover Continuing Royalty payments, Advertising Fund contributions, Local Advertising Fees (except for the minimum weekly payments), or the cost of goods sold, all of which vary depending on your sales levels, nor do they cover any interest or other financing costs you may incur, which will vary depending on how much you borrow. All other expenditures are stated only through the franchise opening date.

GENERAL

We have prepared these estimates based on our experience. Except as expressly indicated otherwise, these estimates cover your initial cash investment up to the opening of your Center. They do not provide for your cash needs to cover any financing or your personal living expenses. You should not plan to draw income from the operation during the start-up and development stage of your business, the actual duration of which will vary materially from store to store and

we cannot predict the start-up and development stage for your Center (and which may extend for longer than the three month "initial phase" described in Note 9). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover personal living expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including your requirements for living expenses, and the rate of growth and success of your business, which in turn will depend upon factors such as the demographics and economic conditions in the area in which your Center is located, the presence of other "Econo Lube N' Tune & Brakes" Centers or other public awareness of our business and Trademarks within the general vicinity of your proposed Center, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from operation to operation and we cannot meaningfully estimate the reserves needed for your Center, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Approval of Suppliers. We specify certain tools, equipment and other items that you must have before opening, and must maintain for as long as you own your franchise. You must procure all tools, equipment, uniforms, office supplies, and other materials required to operate your Center from us, or from suppliers that we designate or approve. We will provide you with our Operations Manual and various supplemental bulletins and notices that will contain the specifications, standards and restrictions on your purchase of products and services. As we determine consumer preferences and trends in the marketplace, or develop new marketing techniques, technologies, products and services, or learn of changes in automobile manufacturing specifications, we formulate and modify our standards and specifications as we consider appropriate and useful, and notify you through amendments to the Operations Manual, articles, newsletters, or other bulletins.

We usually lease or sublease real property to you and our other franchisees. There are presently no products or services for which we or our affiliates are the sole approved source. However, you must pay to us certain Advertising Fund contributions and Local Advertising Fees (see Item 6) for ongoing advertising, which we expend through our "Autolife Advertising" department.

If you wish to procure any items from a supplier other than us or a supplier we designate, you must notify us in writing of the proposed supplier, its name and address, and the items you desire to purchase from that supplier. If product specifications for the item are not in the Operations Manual we will furnish them to you at your request. If we do not disapprove a supplier within 30 days after receiving your notice, it will be deemed approved as a supplier of the goods described in your notice until we may later withdraw approval. We may condition our approval on the supplier agreeing in writing to comply faithfully with our specifications for the items it sells, and to sell any materials bearing our Trademarks only to our franchisees. We do not charge any fees to secure our approval of suppliers.

Advertising. You may not use any advertising material for local advertising unless we have expressly approved it in writing before publication or use, and it complies with our requirements concerning format, representations and media as contained in the Operations Manual or as we otherwise designate. Although we may approve your advertising material, our approval shall not be our representation that the approved advertising complies with applicable law or will generate any level of sales.

Records. All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to the requirements described in the Operations Manual.

Computer System. Except for the Alldata® Factory-Correct Automotive Repair Information software described below, we do not presently require you to purchase or lease computer hardware or software. However, we may in the future require you to purchase or lease, maintain and upgrade computer facilities, hardware, software and other equipment, which may perform bookkeeping, accounting, customer point of sale detail or other functions related to the operation of your Center. All computer facilities, hardware, software and other equipment must be compatible with our system as modified throughout the Term, which may require you to replace any equipment and software that you may obtain that is incompatible with that which we might specify. If we request, you must connect your equipment by modem or similar devices to our computer facilities and must otherwise meet our specifications. As described in Item 11, if you are purchasing an existing Econo Lube N' Tune & Brakes Center from us, any of our affiliates, or a franchisee with an existing point of sale computer system, you must purchase the existing system.

You must purchase and maintain a personal computer capable of running the current version of the Alldata® Factory-Correct Automotive Repair Information software, which accesses an on-line database of OEM requirements, factory-dealer guidelines, and parts and estimated labor costs (the "Alldata Computer System.™"). Alldata® software is the only software we have approved. Alldata® software is available only from Alldata, LLC, 9412 Big Horn Blvd., Elk Grove, CA 95758, (916) 684-5200 or (800) 697-2533, or at www.alldata.com. The recommended hardware requirements to run the Alldata® software is a 1 GHz or faster Pentium® equivalent personal computer, Windows 2000 or better Operating System, Internet Explorer® 6.0 or greater, SVGA monitor, parallel or USB port, printer, and a DSL, cable or telephone modem. Acceptable hardware is available from numerous manufacturers. We will approve any hardware that meets the software system requirements. You must connect the computer to a telephone line via a modem or other communications device to allow access to the on-line Alldata® database. We and our franchisees have used the Alldata® software since January 2004. The Alldata® software accesses an on-line database, and does not record or maintain customer or sales information. We reserve the right to change or upgrade the required software or hardware. There are no contractual limitations on the frequency or cost of required upgrades. Since computer technology is evolving rapidly, it is difficult to predict the extent of required upgrades or your estimated costs. If you are purchasing an existing Econo Lube N' Tune & Brakes Center from us, any of our affiliates, or a franchisee with an existing computer system for the Alldata® software, you must purchase the existing system.

Purchase of Existing Centers. If you acquire an existing Center from us, you will (a) enter into a lease or sublease for the location, in the form attached as Exhibits "B" and "C," (b) enter into a

Purchase Agreement in the form attached as Exhibit “D,” and (c) either sublease from us, or assume our obligations, if any, under existing third party contracts for services and products used at the location, such as computer systems, burglar alarm systems, telephone systems, laundry services and other equipment and services. If you purchase a Center from an existing franchisee, you will acquire all of the seller’s assets and real and personal property lease rights directly from the seller though at our option, you must sign our current form of Franchise Agreement for the remaining term of the seller’s franchise.

Payments for Goods and Services. Substantially all of your initial purchases and leases are from us. We estimate that your lease payments to us for real property, equipment and other personal property will range between 45% to 90% of the cost of all goods and services you lease and purchase on a continuing basis. During our fiscal year ended July 31, [^]2005, our total revenues from all sources was \$[^]26,116,536, and our revenue from purchases of products and services by franchisees was \$[^]14,621,294, representing approximately 56% of our total revenues. We do not provide or withhold material benefits to you based on your use of designated or approved sources.

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 OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
a. Site selection and acquisition/lease	Sections 3.1 and 3.6 of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Section 9.1 of Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Sections 3.4 and 3.5 of Franchise Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Sections 4.2(b), VI and 12.1 of Franchise Agreement	Item 11
e. Opening	Section 9.2 of Franchise Agreement	Item 11
f. Fees	Section IV of Franchise Agreement; Sections 1, 2 and 3 of Addendum for Special Opportunity Centers	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Sections 7.6 and 9.4 of Franchise Agreement	Item 11
h. Trademarks and proprietary information	Section V of Franchise Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 4.4 and 7.6 of Franchise Agreement; Operations Manual	Item 16
j. Warranty and customer service requirements	Sections 7.6 and 9.4 of Franchise Agreement; Operations Manual	Item 11
k. Territorial development and sales quotas	None	N/A
l. Ongoing product/service purchases	Section 9.1 of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Section 9.3 of Franchise Agreement	Item 11
n. Insurance	Section 9.5 of Franchise Agreement	Items 6 and 8
o. Advertising	Sections VII, VIII and 9.6 of Franchise Agreement	Items 6 and 11
p. Indemnification	Sections 7.6 and 15.2 of Franchise Agreement	

Obligation	Section in Agreement	Item in Offering Circular
q. Owner's participation/management/staffing	Section 9.2 of Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 7.6 and 9.7 through 9.10 of Franchise Agreement	Item 6
s. Inspections/audits	Sections 7.6 and 9.8 of Franchise Agreement	Items 6 and 11
t. Transfer	Section X of Franchise Agreement	Item 17
u. Renewal	Section II of Franchise Agreement	Item 17
v. Post-termination obligations	Sections 9.13 and XIII of Franchise Agreement	Item 17
w. Non-competition covenants	Section XI of Franchise Agreement	Item 17
x. Dispute resolution	Section XIV of Franchise Agreement	Item 17

ITEM 10. FINANCING

General. If the Company elects to finance a portion of your purchase, your indebtedness will be evidenced by a Secured Promissory Note and General Security Agreement (Exhibits "G" and "H"). The General Security Agreement grants us a security interest in all of your personal property at your location, and it will secure not only your payments under the Secured Promissory Note but also all of your other performance and payment obligations to us, under your Franchise Agreement, and any asset purchase agreement, promissory note, real property lease or sublease, equipment sublease, purchase order, and other agreement you sign with us. We may in our discretion also require that you post additional security for your obligations such as a mortgage or deed of trust on your home or other real property unrelated to the Center.

We typically charge simple interest at an annual rate of 12% but we may change the interest rate to reflect increases in prevailing interest rates. The term of financing may vary from a few months to 7 years or more, as we may determine on a case by case basis taking into account your individual needs and credit worthiness, among other factors. Annual percentage rates have not been computed in accordance with APR under Regulation Z of the Consumer Protection Act., 15 U.S.C. §§1601 *et. seq.*

If you fail to cure any default in the payment of any installment, we can at our option accelerate the entire amount of the debt, demand all overdue payments, repossess all of your equipment and other personal property, and terminate your franchise agreement and all other agreements you have with us. We can also recover our costs of collection, including court costs and attorney's fees (see Franchise Agreement Section 15.14; Real Property Lease Section 14.6; and Real Property Sublease Section IX.I). The entire remaining balance of principle and accrued interest under your Secured Promissory Note is due on any sale or other transfer of your business. The Secured Promissory Note provides that you waives presentment, demand, protest, notice of protest, and notice of dishonor. The General Security Agreement contains the same waivers, and waivers of any requirement that we proceed against any other person, demand of performance, notice of sale and advertisements of sale, and any right of subrogation to us or any right to the benefit of, or to direct the application of the collateral until all of your obligations are satisfied.

You may prepay all or any portion of your indebtedness, but, you must reimburse us for any prepayment penalties or other charges we incur under our loan agreements with our lenders, by reason of our corresponding prepayment of our loan which is secured by your Secured Promissory Note (see discussion below). You must also reimburse for prepayment penalties or

other charges we incur under our loan agreements with our lenders, if your Secured Promissory Note is accelerated due to your sale or other transfer of your business, by reason of our corresponding prepayment of our loan which is secured by your Secured Promissory Note.

Equipment and Real Property Leases. If you lease or sublease real property from us, you will execute a real property lease or sublease in the form attached as Exhibit "B" or "C," respectively (which may also include fixtures, equipment and other personal property at the location). If you sublease equipment or other personal property from us, you will execute an equipment sublease in the form attached as Exhibit "E" unless the equipment and personal property is covered by the real property lease or sublease. The rent you will pay us will usually exceed the rent we pay as rent under our master lease. We will determine your monthly rent (subject to negotiation, based in part on our assessment of the value of the location and may be substantially higher than our Master Lease rent). The precise terms of the lease or sublease may vary depending upon the terms of our master lease with our lessor or the purchase agreement pursuant to which we acquired the particular real property. Also, under the form of Addendum attached as part of Exhibits "B" and "C", we may offer you the option to purchase the equipment, if any, covered by your real property lease or sublease. If you exercise the option your rent will be reduced by a specified amount mutually agreed upon before execution.

Existing Centers. If you purchase an existing Center from us, we typically require you to execute a Purchase Agreement, real property and/or equipment lease or sublease (See Exhibits "B", "C", "D" and "E"). If you lease or sublease your location from us, we will typically include the cost of leasing equipment and various other personal property located on the premises under the real property lease or sublease for the location. We provide the personal property covered by the real property lease or sublease, or separate equipment sublease to you "AS-IS" without warranty. However, we will provide you with a \$2,500 (\$5,000 if the Center has been in operations for more than 7 years) credit against your first month's rent (not applicable in the case of renewal or if you purchase from an existing franchisee) to provide you with working capital to use to upgrade equipment, to refurbish your Store premises, to purchase software or software upgrades or for any other purpose which you deem appropriate. If the Center you are purchasing has a computerized point of sales system and/or an Alldata Computer System, you must purchase the existing system(s). Currently, we charge \$7,500 (though we may reduce this charge for older equipment) for an existing computer system in an existing Center. If we finance your purchase of the computer system, you must pay us \$2,500 when you sign your Franchise Agreement, and \$150 per month until paid in full. We will credit the \$150 monthly payment against the sums you must pay us as a local advertising fee.

Inventory. We ship all inventory which is purchased from us to you C.O.D., on the terms and conditions we are then currently offering.

Guarantees. If you are a corporation, limited liability company or limited partnership ("Business Entity"), or if you sign your Franchise Agreement as an individual and we consent to the transfer of your Franchise Agreement to a Business Entity for convenience of ownership, your shareholders, members and limited partners must guarantee all of your obligations to us. If you lease or finance the purchase of personal property from us, you must sign a UCC-1 Financing Statement.

Assignment. Except as described below, we do not in practice sell, assign or discount to a third party any notes, contracts or other instruments that you may execute, and have no present intent to do so. We may grant security interests in our contract rights, including any promissory note, real property lease or sublease and equipment sublease you may sign, to our lenders in financing transactions, and have done so in the past. The Secured Promissory Note expressly provides that we or our assignee may assign, pledge, or otherwise dispose of it, without notice to you and that the assignee will acquire the instrument free of all defenses, set-offs or counterclaims that you may be entitled to assert against us, and that the assignee will not be obligated to perform any duty, covenant or condition that we are required to perform. However, we will remain obligated to perform our obligations to you.

If you sell or assign your business, you must guaranty and remain liable to us for any failure of your buyer/assignee to perform under the franchise agreement or the related leases and other agreements so assigned. Generally, your Secured Promissory Note is not assignable and becomes due in full upon any "Assignment" of your business (as defined in the Franchise Agreement). However, if we consent to the assignment of your Secured Promissory Note or any equipment lease or sublease, or to the execution of a replacement note, lease or sublease by your purchaser, in addition to any transfer fees or charges payable to us, you must reimburse us for any transfer fees imposed by our lender to whom those instruments may have been assigned as security.

ITEM 11. FRANCHISOR'S OBLIGATIONS

Except as stated below, we need not provide any assistance to you. All Section references are to the Franchise Agreement unless otherwise noted.

Pre-opening Obligations. We have the following obligations to you before you open your Center:

a. We must supply an Operations Manual which specifies our standard operational procedures, policies, rules and regulations with which you must comply (Section 9.4).

b. We conduct an initial training program as described below (Section 6.1). We will provide you with a copy of the training materials before your scheduled attendance date, which you must review before attending the training program. If you are an existing franchisee and purchase an additional franchise from us or from another franchisee, we may at your request and in our discretion allow you to forego the initial training program, but you must waive any claims against us by reason of your failure to accept initial training. If you waive training under these circumstances, but later decide you would like to attend, at your request we will provide the training to you at a mutually convenient time at no additional charge.

Post-opening Obligations. We have the following obligations to you during the operation of your Center:

a. We will administer an advertising and promotional program designed to promote and enhance the image, identity or patronage of franchised and Econo Lube-owned "Econo Lube N' Tune & Brakes" Centers. (Article VII, Section 7.1)

b. We will provide you with suggested retail prices. We do not represent or warrant that your use of the suggested retail prices will maximize your profits. Any list or schedule of prices we furnish you is a recommendation only and is not mandatory. (Section 9.12)

c. In addition to the initial training program described below, we may require you to attend supplementary instruction courses held on a national or regional basis at locations we select, to instruct you concerning new procedures or programs which we consider to be of major importance to the operation of the franchised business. You must bear all travel and living expenses incurred by you and your employees. Supplementary training may relate, for example, to marketing, bookkeeping, accounting, technical and general operating procedures, and computer systems. If your Gross Revenues in any calendar year decline by 25% or more from the preceding calendar year, at Econo Lube's election, you must attend a one-week training class at our facility in Phoenix, Arizona. This class will address sales and marketing issues (Sections 4.2(b) and 6.2)

d. You may only use the invoice forms which are not disapproved by us. (Section 9.1)

Special Opportunity Centers. With respect to Special Opportunity Centers, we may provide you a decreased level of support as compared to the level of support that we provide to "typical" Centers. If you purchase a Special Opportunity Center, you acknowledge this, and agree not to assert that we are violating the Franchise Agreement or failing to meet your expectations by providing this lesser degree of services and support.

Time to Open. We estimate the typical length of time between signing a Franchise Agreement and opening the Center is between 3 and 5 weeks if construction of the Center has been completed at the time the Franchise Agreement is signed. If construction has begun but has not been completed, opening may take between 1 and 6 months, subject to construction delays. In many situations where a site has been secured, it may take an additional 3 to 12 months, and in some cases longer, before beginning construction in order to obtain necessary governmental and quasi-governmental permits and to meet local zoning requirements, or specialized architectural or engineering requirements. Of course, if no site has been selected when you sign the Franchise Agreement, you should anticipate additional time for site location.

Training. You must complete our initial training program for new franchisees ("Instruction Course") at time(s) and date(s) that we schedule on the management and operation of your Center, including marketing, bookkeeping, safety, customer and inventory control and purchasing, and employer-employee relations. If you are purchasing a company-owned location, the Instruction Course is 10 business days long and will take place at the following places: (i) 5 days at our Training Center in the Phoenix area, Arizona, or at our option, at a location in the state in which your Center is located; and (ii) 5 days at your Center, at no additional charge.

If you are purchasing a Center from an existing Econo Lube franchisee, you will receive training for 5 days, with an option for an additional 5 days at our Training Center. If you elect to have the second week of training conducted at your Center, you must pay \$1,500 in addition to any training and transfer fee paid by you or the existing Franchisee from whom you have purchased your franchise. If we, in our sole discretion, determine that you are sufficiently experienced, we may allow you to train at home from our training materials without completing our training program, in which event we may waive the training fee, but you must waive any claims against us by reason of your failure to accept initial training.

We generally conduct the Instruction Course at least once each month. You will attend the Instruction Course after you sign your Franchise Agreement. You, or if you are a Business Entity, a major stockholder, member, general partner, officer or other designated representative selected by you and approved by us ("Designated Franchisee Representative"), must complete the Instruction Course to our sole, subjective satisfaction, exercised in good faith.

At all times during the Term, you must be, or must employ at least one general manager for the Business, and if you are a Business Entity, you must have one Designated Franchisee Representative, who has completed our initial Instruction Course to our satisfaction. If you or your Designated Franchisee Representative does not satisfactorily complete said Instruction Course, we may rescind the Franchise Agreement. You will be trained by various members of our staff and by managers of Econo Lube N' Tune & Brakes Centers owned by Econo Lube; our current training director has served in that position for over seven years and has been employed by us in various capacities for more than eight years.

Our training program, although comprehensive, does not guarantee that your operation will be successful or profitable, and no representations or warranties are made to that effect. Also, our training program does not train you or your personnel to become mechanics. We do not pay any compensation for any services performed by you or your employees during training and you will bear all travel and living expenses incurred by you and your employees in attending the instruction course.

Instructional material include our Operations Manuals, general automotive manuals, and various forms used to control different aspects of your business operations. The following chart describes our training program as of our last fiscal year end:

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Cost of Goods Control	4 hours		Training Center
Payroll Controls	4 hours		Training Center
Inventory Control	2 hours		Training Center
Operations Procedures	24 hours		Training Center
Management Duties	8 hours		Training Center
In Store Training		40 hours	Your Store
TOTALS	42 hours	40 hours	

Before beginning the Instruction Course, you must read the Operations Manuals. Also, in addition to the actual training outlined above, during the Instruction Course, you should anticipate completing several hours of homework in the evenings following many of the training work days.

Point of Sale Computer Systems. We do not require you to purchase or lease a point of sale computer system. However, many of our franchisees have chosen to purchase the point of sale computer system described in this section, and you may desire to do so as well. Further, if you are purchasing an existing Econo Lube N' Tune & Brakes Center from us, any of our affiliates, or a franchisee with an existing system, you must purchase the existing system. We and our franchisees typically use the Service Software Point of Sale System. This system typically consists of two computers containing a 1.4 GHz processor, 128MB ram, and 40GB hard drive; together with a 15 or 17 inch monitor; one Epson 300 plus printer or Epson C80 ink jet printer; a dyno labeler, upon request, and in some instances one or more video cameras. The system processes sales, tracks inventory and generates invoices. The system also contains a parts guide and performs certain general accounting functions, including payroll. We began using the system in 2002 and some of our franchisees have been using the system since as early as 1995. The system is supplied by Ross Murray, d/b/a Service Software, at 28441 Rancho California Road, Temecula, California 92590 (800) 230-4557. Mr. Murray presently offers optional maintenance contracts at a cost of approximately \$150.00 per quarter, for which Mr. Murray presently provides at no additional cost: software updates, parts guide data base updates, and 1-800 telephonic tech support services, and extended warranty on hardware which was purchased through him. We will have the right to access all the system, including through a telephone line and modem. You may be required in the future to upgrade or change your system at our request. There are no contractual limitations on the frequency and cost of such upgrades or changes.

Alldata Computer System. As described in Item 8, you must purchase and maintain a personal computer capable of running the current version of the Alldata® Factory-Correct Automotive Repair Information software, which accesses an on-line database of OEM requirements, factory-dealer guidelines, and parts and estimated labor costs. The Alldata® software accesses an on-line database, and does not record or maintain customer or sales information. We reserve the right to change or upgrade the required software or hardware. There are no contractual limitations on the frequency or cost of required upgrades.

Advertising Fund. We administer an Advertising Fund to promote and enhance the image, identity or patronage of "Econo Lube N' Tune & Brakes" Centers owned by us and by franchisees. We deposit the sums you and other franchisees contribute to the Advertising Fund in our general operating account, segregated administratively on our books, but commingled with our general operating revenues. We contribute for use by the Advertising Fund an amount equal to .5% of the Gross Revenues of each "Econo Lube N' Tune & Brakes" Center that we operate. Also, we may advance additional sums for use by the Advertising Fund. If we spend less than the total of all contributions to the Advertising Fund during any fiscal year, we may accumulate those sums for use in later years. If we advance sums to the Advertising Fund, or otherwise spend more than the cumulative contributions made on account of franchised Centers and the

Centers that we operate, we may reimburse ourselves, or receive a credit against our subsequent required contributions, to the extent of the advances and excess expenditures.

At your request, we will furnish to you within 120 days after the end of each of our fiscal years, an unaudited report certified as correct by an Econo Lube officer showing the Advertising Fund balance at the beginning of the year, the total amount contributed by franchisees and by us for our company-owned Centers, and the amount actually expended for the year, and remaining balance or deficit in the Advertising Fund at the end of the fiscal year end.

We intend to use Advertising Fund revenue primarily for local advertising, public relations and promotional campaigns (including support of underperforming Stores), typically in media such as direct mail advertising, newspapers, radio, cable or local television, but we may conduct national and regional advertising programs. At this time, however, we do not believe that the Advertising Fund revenues will be sufficient to conduct advertising on a national or regional level. We may also spend Advertising Fund revenues for other items including conducting marketing studies; marketing campaigns and related franchisee promotions; purchasing computer software and hardware to facilitate customer and marketing analysis or advertising generally; and the production and purchase of advertising art, commercials, musical jingles, print advertisements, point of sale materials, media advertising, outdoor advertising art, and direct mail pamphlets and literature. In addition, we will retain an amount equal to 15% of all Advertising Fund contributions to cover our estimated internal expenses of operating an advertising department and administration of the Advertising Fund. Our actual expenses may be more or less than 15%. We determine in good faith all matters relating to advertising, public relations and promotional campaigns and we are not required to allocate or expend Advertising Fund Contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis.

During our fiscal year ended July 31, [^]2005, we spent the following percentages of total Advertising Fund Revenues on:

Production 5%;
Media placement 80%; and
Administrative expenses 15%.

If you default in any payments to us, we have the right, among other remedies, to cease providing any further advertising for you, and to exclude your name from all advertising including advertising distributed in your Territory.

Local Advertising Fee. You must pay us the greater of 5.5% of your Gross Revenues or \$500 each week as a local advertising fee when you pay the Continuing Royalty. We will spend that amount for local and/or regional advertising on your behalf (subject to a 15% administration fee payable to us), as we deem appropriate, to enhance or promote the image, identity or patronage of your Center. Among other things, we may pool your Local Advertising Fees with those of other franchisees in the general geographic area surrounding your Center and Territory to purchase advertising on a cooperative basis. Although we administer cooperative advertising in good faith and endeavor to be equitable, cooperative advertising may not benefit you or any particular franchisee or group of franchisees on a pro rata or proportional basis. As described in Item 7, if

you are purchasing an existing Econo Lube N' Tune & Brakes Center from us, any of our affiliates, or a franchisee with an existing system, you must purchase the existing system. If we finance your purchase of the point of sale system, you must pay us \$2,500 when you sign your Franchise Agreement, and \$150 per month until paid in full. We will credit the \$150 monthly payment against the sums you must pay us as a Local Advertising Fee.

Under the Addendum for Special Opportunity Centers, you will not pay a Local Advertising Fee. However, we recommend that you spend an amount equal to or greater than 5.5% of your Gross Revenues each month on local advertising.

You may not use any advertising material for local advertising unless we expressly approve it in writing before publication or use, and it must comply with the requirements contained in the Operations Manual regarding format, representations and media, or as we otherwise designated. Although we must approve your local advertising, our approval of it neither constitutes a representation or warranty that it complies with applicable law nor a representation or warranty that such advertisements will be successful or generate any level of sales.

You must also obtain at your expense a "white pages" and "yellow pages" listing for the Center, in form prescribed by the Operations Manual, in telephone directories covering the Territory or any other areas as we may direct. If you engage in businesses other than the Center, you must maintain separate and distinct telephone numbers and "yellow pages" advertising for those businesses. You may not, without our prior written consent, cause or allow yourself to be listed in any other directories except with our prior written consent, and you must at all times adhere to the rates you advertise and may not advertise in any deceptive or misleading manner.

You must display or refrain from displaying on the premises of your "Econo Lube N' Tune & Brakes" Center all advertising, signs, and other materials in the manner and form as we specify in the Operations Manual. For example, we may require you to install and display signs, brochures, advertisements and similar promotional materials as we may direct relating to our offer and sale of franchises.

All advertising, promotion, signs and other display materials you use, and your letterhead, business forms, and in all of its business dealings and to the general public, you must identify yourself only as an independently owned and operated franchisee of Econo Lube and may not identify yourself as being Econo Lube, or a subsidiary, division, partner, joint venturer, agent or employee of Econo Lube or of any of our franchisees.

Operations Manual. Exhibit "K" is a copy of the table of contents of the Econo Lube N' Tune & Brakes Operations Manual as of the end of our fiscal year ended July 31, [^]2005, which indicates the number of pages devoted to each topic and the total number of pages in the Operations Manual.

Site Selection. Most sites are leased or subleased from us. But if you wish to acquire your location from a third party, you must purchase or lease a location meeting our current standards and specifications within 60 days after signing the Franchise Agreement. In evaluating a proposed site, we consider a variety of factors, including general location and neighborhood,

traffic patterns, parking, size, physical characteristics of existing buildings and lease terms, and the presence of identifiable competitors. We will determine whether a location meets our specifications in our sole subjective discretion exercised in good faith. You may not enter into any lease or purchase agreement unless you first (i) notify us in writing of the proposed location and provide us with all information that we may request concerning the proposed location, and (ii) receive our written approval of such location. Upon your request, we will assist you to obtain a location for your Center, and may offer to lease or sublease a location that we (or a parent, subsidiary or affiliate) owns or leases. Neither our assistance nor the fact that you may lease or sublease a location from us may be construed as a guarantee that you will have a profitable or successful operation at the location.

If you fail to lease or purchase an approved location within the 60 day period, we may rescind the Franchise Agreement in accordance with the procedure established in paragraph 12.1 of the Franchise Agreement. We may agree to extend the 60 day period, up to 30 days if in our subjective judgment your failure was not a result of your failure to exercise due diligence or use your best efforts.

ITEM 12. TERRITORY

Your Franchise Agreement will have an attached map that will describe a geographic area surrounding your Center (your "Territory"). We will not open any other "ECONO LUBE N' TUNE & BRAKES" center within your Territory during the term of your Franchise Agreement, or franchise others to do so. Your Territory is not "exclusive." The Franchise Agreement does not prohibit you, us or other franchisees from accepting customers who reside in your Territory or from advertising or soliciting business in your Territory or in other franchisees' territories. There are no sales quotas or similar conditions for your keeping your territorial rights. There are no circumstances that permit us to alter your territorial rights without your approval.

If your lease or sublease your Location from us, your lease or sublease provides that we may, without any obligation or compensation to you, other than as specifically described below, install, use and operate on or at your Location, item(s) or structure(s) for any private enterprise or public purpose ("Reserved Use"), whether directly conducted by us or any agent or representative of ours and any invitee of any of them ("Other User(s)"). You must allow the Other User reasonable access to all of your electrical, water, cable, telephone alarm and security, and other services. We will equitably reimburse you for your added out of pocket cost from furnishing that access, in an amount that we determined in good faith. Examples of potential Reserved Uses may include a billboard; sign; display; kiosk; (tele) communication booth, antenna, apparatus and related equipment; terminal; sales stand or enclosure; vehicle; equipment; tank; vending machines; gaming machines; and merchandise.

Although we have no presently formulated plans to do so, we are not prohibited from franchising or operating businesses under a name other than "Econo Lube N' Tune & Brakes," whether or not located within your Territory, or from establishing other channels of distribution selling or leasing similar products or services under a different trademark. We and certain affiliated companies previously operated and franchised "Muffler Crafters" businesses, which sold muffler and exhaust system, brake, front-end alignment and shock absorber sales, service and installation and certain related minor automotive services, but no longer do so. If your

Center is located in a multi-store complex, businesses operated by third parties in the complex may offer some of the same services as you and we are not responsible for the effect that this may have on your operations and we are not obligated by the Franchise Agreement to permit you to relocate your Center or to establish additional Centers.

ITEM 13. TRADEMARKS

You will operate you store under the “Econo Lube N’ Tune & Brakes” name and will be licensed to use the following federally registered service mark, and other trademarks, services marks, trade names, logotypes, insignias or designs and other commercial symbols as we may designate (the “Trademarks”), including the following marks:

<u>NUMBER</u>	<u>MARK</u>	<u>WHERE REGISTERED</u>	<u>REGISTRATION DATE</u>
1,154,188	Econo Lube N’ Tune	Service Mark Principal Register	5/12/81
<u> </u> (Serial Number)	Econo Lube N’ Tune & Brakes	Principal Register	<u> </u> (Filing Date)

There are presently no effective determinations of the United States Patent and Trademark Office or any trademark administrator of any state or any court proceedings which limit or restrict our right to use the above-described Trademark which are relevant to your use of said marks in your Center.

We have no agreements presently in effect that would significantly limit our rights to use or license the use of the Trademarks which are material to you.

If you learn of any claim, suit or demand against you by a third party for any alleged infringement, unfair competition or similar matter due to your use of the Trademarks, in accordance with the terms of the Franchise Agreement, you must promptly notify us of any the claim, suit or demand. We will then take whatever action we consider necessary to protect and defend you against any the claim and will indemnify you against any loss, cost or expense incurred due to the claim, subject to certain limitations specified in Section 5.7 of the Franchise Agreement. You may not settle or compromise any claim by a third party without our prior written consent. We may defend, compromise or settle any claim at our cost, using attorneys that we choose and you must cooperate fully with us in defending the claim.

We know of no infringing uses which would materially affect your use in this State of the Trademarks licensed to you. If you learn of any infringing use, you must promptly notify us. We will decide whether or not to prosecute and our decisions will be final.

The Operations Manual or supplemental directives or bulletins may add to, delete, or modify Econo Lube’s Trademarks. You must accept, use, or cease using, as may be applicable, the Trademarks, including modified or additional Trademarks in accordance with the procedures

contained in the Operations Manual, as if they were in the Franchise Agreement. You will not be compensated as a result of any discontinuation or modification.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights material to the franchise.

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

You must directly supervise and participate in the operation of your Center on an exclusive and full time basis and must attend our initial training program and any other mandatory training program offered during the term. Business Entity franchisees must select a "Designated Franchisee Representative" who is a major shareholder, member or partner acceptable to us to participate in the actual management of the business and to take the initial and other training courses.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct business in strict accordance with the standards and procedures specified in Operations Manual and supplemental bulletins and notices we send to you. The Operations Manual describes the kinds or categories of services which you must offer, those which you may offer, and how the services must be provided. You may not provide any service for which you have not received our prior written consent. Examples of services which presently you may not offer include engine overhauls, auto parts and accessory sales, major air conditioning services, front end alignments, transmission repair, and tire sales and installation. We may add or delete services which you may or must offer to the public. If you must offer additional services, you may incur additional costs for necessary equipment purchases or leasehold improvements.

You must (1) operate your Center in strict compliance with all applicable laws, including those pertaining to air pollution, water pollution, noise control and/or the generation, storage, transportation, recycling, management, handling, discharge, treatment, disposal or recovery of solid wastes, used oil and hazardous wastes, substances or materials (as defined by applicable statutes), as those laws may change during the Term, (2) comply with all applicable public and employee health and safety, and wage and hour laws and regulations and all licensing requirements; (3) prepare and file all necessary tax returns, and pay all taxes when due; and (4) timely file all fictitious business name statements and similar submissions required by law concerning your use of our Trademarks.

There are no defined sales efforts or results which, if met, would cause the removal of these restrictions. You may not display the trademark, service mark, trade name, insignia or logotype of any other person, firm or corporation in operating the Center without our written consent. Neither we nor your Franchise Agreement restrict the customers to whom you may sell.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of our current form of franchise and related agreements. If you purchase a Center from an existing franchisee, you may assume the seller's existing franchise agreement (which may contain terms different than described below), or at our option sign our current form of Franchise Agreement. You should read these provisions in the agreements attached to this offering circular (or the corresponding provisions of the actual agreements you will assume from your seller, if you are buying from an existing franchisee).

Provision	Section in Franchise or other Agreement	Summary
a. Term of the franchise	Section 2.1 (also Section 3 of Lease, Exhibit "B," and Section II of Sublease, Exhibit "C")	Term is usually 10-15 years. See Note 1.
b. Renewal or extension of the term	Section 2.2 (also Sections 3 and 26 of Lease, Exhibit "B," and Section II of Sublease, Exhibit "C")	If you are in good standing, you can renew for up to 2 additional terms of 5 years each. See Note 1.
c. Requirements for you to renew or extend	Sections 2.3 through 2.7 (also Sections 3 and 26 of Lease, Exhibit "B," and Section II of Sublease, Exhibit "C")	You must have complied with your obligations during the Term, must sign a new renewal agreement on then current terms and refurbish and remodel your Center., and pay fee
d. Termination by you	None	
e. Termination by Econo Lube without cause	None	
f. Termination by Econo Lube with cause	Section XII (also Section 14.2 of Lease, Exhibit "B," and Section IX of Sublease, Exhibit "C")	Except for rescission of the agreement if you do not find a location within 60 days or if you do not satisfactorily complete the training program (see Section 12.1), we can terminate only if you default.
g. "Cause" defined - defaults which can be cured	Sections 12.2 and 12.3 (also Section 14.1 of Lease, Exhibit "B," and Section IX of Sublease, Exhibit "C")	You have: 3 days to cure nonpayment of fees; 10 days to cure noncompliance with laws; 15 days to cure defaults not listed in Section 12.3 and defaults under any related agreement. See Note 2.
h. "Cause" defined - defaults which cannot be cured	Section 12.3 (also Section 14.1 of Lease, Exhibit "B," and Section IX of Sublease, Exhibit "C")	Non curable defaults: abandonment, franchised services rendered by unlicensed individual, bankruptcy, insolvency, unapproved transfers, knowingly understating your gross revenues, repeated defaults, even if cured, posing danger to public, misrepresentations in acquiring the franchise, conduct reflecting unfavorably on system.
i. Your obligations on termination/nonrenewal	Sections 13.1 and 13.2	You must cease use of our marks, de-identify and pay all amounts due to us. See also "r" below.
j. Assignment of contract by Econo Lube	Section 10.1	No restriction on Econo Lube's right to assign.
k. "Transfer" by you - definition	Section 10.2	Includes transfer of agreement or change in ownership or control of Business Entities.
l. Econo Lube's approval of transfer by you	Section 10.2	Transfers require Econo Lube's written consent, which will not be unreasonably withheld. See Note 3
m. Conditions for Econo Lube's approval of transfer	Section 10.2; Section 5 of Addendum for Special Opportunity Centers	New franchisee: qualifies, assumes your obligations under all Agreements, completes training, signs new Franchise Agreement and pays transfer fee. You must sign general release. See also "o" and "r", below. See Note 3. Terms granted by Addendum for Special Opportunity Centers are not transferable.
n. Econo Lube's right of first refusal to acquire your business	Section 10.4	Econo Lube can match any offer for your business.
o. Econo Lube's option to purchase your business	None	
p. Your death or disability	Section 10.2	Same requirements as for transfer in "n" above, except we do not have right of first refusal. See Note 4.
q. Non-competition covenants during the term of the franchise	Section 11.1(a)	No involvement in competing business

Provision	Section in Franchise or other Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 11.1(b)	No involvement in competing business for 1 year within 20 miles from the boundaries of your territory.
s. Modification of the agreement	Section 9.4 and 15.9; Section 6 of Addendum for Special Opportunity Centers	Operations Manual is subject to change. Modifications become effective 7 days after notice to you. Agreements are not subject to change except through a written agreement signed by all parties.
t. Integration/merger clause	Section 15.9	All agreements between the parties are in the Franchise Agreement, or related written agreements.
u. Dispute resolution by arbitration or mediation	Section XIV	Except for certain claims, all disputes must be arbitrated in Orange County, California.
v. Choice of forum	Section XIV	Except for certain claims, all disputes must be arbitrated in Orange County, California.
w. Choice of law	Section 15.8	California law applies.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law. (11 U.S.C.A. Section 101 et. seq.)

The regulations of the California Department of Corporations require that the following information concerning provisions of the Franchise Agreement be disclosed to you:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a license. If the franchise agreement contains a provision that is inconsistent with the law, the law may control, though we may challenge the applicability and enforceability of such law.

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

The franchise agreement requires binding arbitration. The arbitration will occur at Orange County, California, with the costs shared equally by the parties. This provision may not be enforceable under California law, but we intend to insist on its enforcement and to challenge the applicability and enforcement of any inconsistent law.

These states have statutes which may supersede the License Agreement in your relationship with Econo Lube including the areas of termination and renewal of your license: ARKANSAS (Stat. Section 70-807), CALIFORNIA (Bus. & Prof. Code Sections 20000-20043), CONNECTICUT (Gen. Stat. Section 42-133e et seq.), DELAWARE (Code, tit.), HAWAII (Rev. Stat. Section 482E-1), ILLINOIS (Rev. Stat. Chapter 121 ½ par 1719-1720), INDIANA (Stat. Section 23-2-2.7), IOWA (Code Section 523H. 1-523H.17), MICHIGAN (Stat. Section 19.854(27)), MINNESOTA (Stat. Section 80C.14), MISSISSIPPI (Code Section 75-24-51), MISSOURI (Stat. Section 407.400), NEBRASKA (Rev. Stat. Section 87-401), NEW JERSEY (Stat. Section 56:10-1), SOUTH DAKOTA (Codified Laws Section 37-5A-51), VIRGINIA (Code 13.1-557-574-13.1-564), WASHINGTON (Code Section 19.100.180) WISCONSIN (Stat. Section 135.03). These statutes and other state court decisions may supersede the Franchise

Agreement in your relationship with Econo Lube, including the areas of termination and renewal of your franchise. We may challenge these laws.

NOTES

1. For most Locations, we sublease the location to you, and match your initial term and renewal terms with our master lease obligations. Thus, for a new location the initial term is typically 15 years from opening. If we franchise an existing Center that we previously operated or which we acquired from a franchisee, your initial term will match the remaining term under our master lease for the location, up to 20 years. But, if only a short time remains in our current master lease term, at our option, the initial term may also include one or more of our option terms under our master lease. If we own the location, your initial term will usually be 10 years.

If you sign the Franchise Agreement as a Renewal Franchise Agreement at the end of the term of a previous franchise agreement, your term will be established by the renewal provisions of the previous franchise agreement.

If you are signing the Franchise Agreement as part of your purchase of an existing franchisee's business, your initial term will equal to the balance of the current term of the seller's franchise agreement. If you purchase an existing franchise from a franchisee, you acquire the remaining term and renewal rights that your transferor has. If you are presently renewing the existing franchise for your Center, your new agreements will contain only the remaining renewal rights contained in your existing agreements, if any.

On occasion, we sell a property and lease it back from the buyer (a "Sale-Leaseback"). If a Sale-Leaseback occurs within 24 months after you sign your Franchise Agreement and lease, we may adjust the term of the Franchise Agreement and the lease (which will then become a sublease) to coincide with the initial term of our master lease with the buyer. Ordinarily, this increase the term by up to 24 months but will not decrease the term.

2. Our waiver of any previous breach by you, or our waiver of any other franchisee's breach of an agreement will not limit our right at any time to require you to strictly comply with the terms of your Franchise Agreement.
3. We may impose reasonable restrictions on your right to assign including those specified in Section 10.2 of the Franchise Agreement. You will guaranty your transferees' continued performance under the Franchise Agreement, and under all leases and other agreements for the franchise. You and the transferee must sign a consent to transfer form provided by us (our current form is attached as Exhibit "I"), and reimburse us for any transfer fees imposed by our lender to whom your note, equipment lease or sublease have been assigned as security, if any.
4. However, upon a transfer to your heirs, personal representatives or conservators, our right of first refusal will apply to any proposed transfer or assignment by such heirs, personal representatives or conservators.

ITEM 18. PUBLIC FIGURES

Econo Lube does not use any public figure to promote its franchise.

ITEM 19. EARNINGS CLAIMS

Econo Lube does not furnish or authorize its salespersons to furnish any oral or written information concerning actual or potential sales, costs, income or profits of any Econo Lube N' Tune & Brakes Center. Actual results vary from unit to unit and we cannot estimate the results of any particular franchise. If you are purchasing a franchise for a Center that was previously operated by us or a franchisee, including Special Opportunity Centers, we may provide certain financial information concerning the actual historical operation of the Center.

ITEM 20. LIST OF OUTLETS

CHART I

FRANCHISED
STORE STATUS SUMMARY
FOR FISCAL YEARS ENDING JULY 31, ^2003/2004/2005
(Data for fiscal years separated by "/>")

State	Transfers	Canceled or Terminated	Not Renewed	Reacquired By Franchisor	Left the System - Other	Total from Left Columns	Franchises Operating At Year End
Arizona	^2/8/4			^6/6/^9		^8/14/13	^20/22/23
California	^19/25/29			^8/4/7		^27/29/36	^96/96/^93
Colorado	^8/2/0			^2/1/4		^10/3/4	^9/11/10
Florida						0/0/0	1/1/1
Georgia	^2/0/1			^0/2/0		^2/2/^1	^8/7/8
Idaho				^2/2/2		^2/2/2	^1/3/4
Kansas	^0/2/1			0/0/2		^0/2/3	^3/3/^1
Maryland*				^0/1/0		^0/1/0	1/^0/0
Missouri				^2/1/1		^2/1/1	^2/1/0
Nevada	^1/3/6			^4/2/1		^5/5/^7	^8/9/11
North Carolina				^1/1/^0		^1/1/^0	^3/2/3
Oklahoma				^1/2/1		^1/2/1	^2/1/1
South Carolina				^3/1/0		^3/1/0	^0/1/2
Texas	^5/10/5			^2/9/11		^7/19/16	^20/20/^16
Utah				^1/0/0		^1/0/0	2/2/2
Virginia				^0/1/0		^0/1/0	0/0/0
Washington				^0/2/0		^0/2/0	^4/2/4
TOTALS	^37/50/46			^32/35/38		^69/85/84	^180/^181/179

* We reacquired our only Maryland franchise during our fiscal year ending July 31, 2004 and leased the location to a third party, but not as a franchise.

CHART II

STATUS OF ECONO LUBE OWNED STORES FOR YEARS ENDING JULY 31, ^2003/2004/2005 (Data for fiscal years separated by "/>)

State	Stores Closed During Year	Stores Opened During Year	Total Stores Operating At Year End
Arizona	^1/0/1	0/0/1	^5/3/2
California	^0/2/1	^	^1/0/2
Colorado	^	0/0/1	^2/0/2
Georgia	^		^0/1/0
Idaho			^3/2/0
Kansas			^0/1/2
Missouri	^	^	^0/1/2
Nevada	^		^0/2/0
North Carolina	^1/0/0	^	^0/1/0
Oklahoma			^1/2/2
^	^		^
South Carolina	^1/0/0		^2/1/0
Texas	^	^	^0/0/^4
Virginia	^	^	^1/2/2
TOTALS	^3/2/2	^0/0/^2	^15/16/18^

CHART III

PROJECTED OPENINGS FOR FISCAL YEAR ENDING JULY 31, ^2006

State	Franchise Agreements Signed But Store Not Open	Projected New Franchises in the Next Fiscal Year*	Projected Econo Lube Owned Openings in Next Fiscal Year
Arizona		5	
Texas		1	
TOTALS	0	6	0

*Consists of company-owned locations converted to franchised stores.

Attached as Exhibit "L" is a list of the names, addresses and telephone numbers of Econo Lube's current franchisees as of its fiscal year ending July 31, ^2005.

Attached as Exhibit "M" is a list of the names and last known addresses and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the

fiscal year ending July 31, ^2005, or who has not communicated with us within 10 weeks of the date of this offering circular.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit "J" are Econo Lube's audited financial statements as of July 31, ^2005, July 31, ^2004 and July 31, ^2003.

ITEM 22. CONTRACTS

Attached as Exhibit "A" is a copy of the form of Franchise Agreement and Addendum to Franchise Agreement to be used in this state.

Attached as Exhibits "B" and "C," are the forms of Lease and Sublease, respectively, to be used in this state, together with the form of Addendum to Lease/Sublease we use if we offer you the option to purchase the equipment, if any, covered by your Lease or Sublease.

Attached as Exhibit "D" is the form of Purchase Agreement that we use in this State for the sale of existing locations previously owned and operated by us, or those which have been repurchased from existing franchisees.

Attached as Exhibit "E" is the form of an Equipment Sublease intended to be used if you lease additional equipment from us.

Attached as Exhibit "F" is the form of Guarantee that we will typically require your shareholders to execute if you are a Business Entity. By executing the Guarantee, the shareholders, members or limited partners unconditionally and irrevocably guarantee your full and faithful performance of all of your obligations under the Franchise Agreement and all other agreements between you and Econo Lube.

Attached as Exhibits "G" and "H" are the forms of Secured Promissory Note and Security Agreement, respectively, used by us for financing offered to our franchisees, whether for the initial franchise fee, initial inventory requirements, or the purchase price payable for the purchase of an existing business.

Attached as Exhibit "I" is our current form of Consent to Transfer for transfers by our franchisees.

Attached as Exhibit "Q" is the form of Addendum to Franchise Agreement that we will sign with purchasers of Special Opportunity Centers, to reflect the changes to the Franchise Agreement that we will make for these Centers.

Attached as Exhibit "R" is the form of Point of Sale Computer System Payment Program Agreement that you must sign if you purchase an existing Econo Lube Center that has an existing point of sale computer system.

ITEM 23. RECEIPT

Two copies of an acknowledgment of your receipt of this offering circular appear as Exhibit "S". Please return one copy to Econo Lube and retain the other for your records.