PRECISION AUTO CARE, INC.

A Virginia Corporation

Corporate Information

Financial and shareholder information through fiscal year ending June 30, 2016

Part A General Company Information

Item I The exact name of the issuer and its predecessor.

The name of the issuer is "Precision Auto Care, Inc." The issuer did not acquire capital or assets from a predecessor during the preceding five year period.

Item II The address of the issuer's principal executive offices.

Precision Auto Care, Inc.
748 Miller Drive, S.E.,
Leesburg, VA 20175
Phone: (703) 777-9095
Fax: (703) 771-7108
Website: www.precisiontune.com

Investor Relations: Robert R. Falconi
Phone: (703) 777-9095
E-mail: robert.falconi@precisionac.com
Address: Same as above

Item III The jurisdiction(s) and date of the issuer's incorporation or organization.

Precision Auto Care, Inc. (the "Company") is a Virginia corporation formed on April 14, 1997.

Part B Share Structure

Item IV The exact title and class of securities outstanding.

The Company has 6,720 Preferred Class A Stock shares outstanding, and 19,227,468 Common Stock shares outstanding as of 06/30/2016. Our CUSIP No. is 74018R105 and our Trading Symbol is PACI.

Item V Par or stated value and description of the security.

A. Par or Stated Value.

Preferred Class A Stock—Par Value $10.36
Authorized Common Stock—Par Value $ 0.01

B. Common or Preferred Stock.

1. For common equity, describe any dividend, voting and preemption rights.

The common stock of the Company has no rights to any dividend or any preemption rights. Only shareholders of record on the books of the Company at the close of the record date will be entitled to vote at any subsequent annual meeting of shareholders, whether in person or by proxy. Each share of common stock is entitled to one vote for each matter submitted to the shareholders for approval.

2. **For preferred stock, describe the dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions.**

   Preferred stock may not be converted to common shares. The holders of the outstanding Preferred Stock receive cash dividends at the rate of 2.0% payable quarterly in arrears in cash. The preferred stock of the Company has no voting rights, but the shares are subject to preferential payment in the event the business of the Company is liquidated.

3. **Describe any other material rights of common or preferred stockholders.**

   Other than the rights discussed above, the holders of common or preferred shares of the Company have no other material rights.

4. **Describe any provision in issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer.**

   There is not a provision in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer. Additionally, see "Risk Factors."

Item VI The number of shares or total amount of the securities outstanding for *each class* of securities authorized.

(i)	Period End Date	March 31, 2016	June 30, 2016	June 30, 2015
(ii)	Authorized—Common	39,000,000	39,000,000	39,000,000
(iii)	Issued and Outstanding	19,227,468	19,227,468	19,227,468
(iv)	Freely tradable shares (public float)	7,361,904	7,361,904	7,361,834
(v)	Number of beneficial shareholders exceeds 50	yes	yes	yes
(vi)	Number of Shareholders of record	153	153	154

(i)	Period End Date	March 31, 2016	June 30, 2016	June 30, 2015
(ii)	Authorized—Preferred	1,000,000	1,000,000	1,000,000
(iii)	Issued and Outstanding	6,720	6,720	6,720
(iv)	Freely tradable shares (public float)	—	—	—
(v)	Number of beneficial shareholders	—	—	—
(vi)	Number of Shareholders of record	2	2	2

Item VII The name and address of the transfer agent.

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
Phone: (718) 921-8200
Fax: (718) 236-2641

American Stock Transfer & Trust Company has registered under the Securities Exchange Act of 1934.

Part C Business Information

Item VIII The nature of the issuer's business.

A. ***Business Development.***

Through subsidiaries, the Company franchises the operation of Precision Tune Auto Care service centers (the "Franchised Centers," or "Centers"), owns and operates Precision Tune Auto Care centers (the "Company Centers," or "Centers"), and provides products and services to the system (the "System) of Precision Tune Auto Care Centers. Centers offer automotive products and services to the public, including the diagnosis, maintenance and repair of ignition systems, fuel systems, computerized engine control systems, cooling systems, starting/charging systems, emissions control systems, engine drive train systems, electrical systems, air conditioning systems, oil and other fluid systems, and brake systems.

A predecessor of the Company began operation of the first "Precision Tune" automotive service center in 1976 in Beaumont, Texas. The "Precision Tune" business model of the early years offered a limited menu of services and focused on low price-point engine performance services. Over the ensuing years, with changes in the industry and advancement of automotive technology, Centers expanded their menu of services and became full-service repair facilities. In 1996, the name "Precision Tune" was changed to "Precision Tune Auto Care" to capture the fact that Centers offer to the public a full range of automotive products and services, including tires in some circumstances.

1. **the form of organization of the issuer;**

   Precision Auto Care, Inc. is a Virginia corporation.

2. **the year that the issuer was organized;**

   Precision Auto Care, Inc. was organized in 1997.

3. **the issuer's fiscal year end date;**

   Precision Auto Care, Inc.'s fiscal year end date is June 30th.

4. **whether the issuer has been in bankruptcy, receivership, or any similar proceeding;**

   The Company has not been involved as a debtor in any bankruptcy, receivership, or any similar proceeding during the immediately preceding three years.

5. **any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets;**

   There has not been during the immediately preceding three-year period any material reclassification, merger, consolidation, or purchase or sale of any significant amount of assets of the Company.

6. **any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments;**

   During the immediately preceding three-year period, the Company has not defaulted on the terms of any note, loan, lease, or other material indebtedness or financing arrangement.

7. **any change of control;**

   There has been no change in control of the Company during the immediately preceding three-year period.

8. **any increase of 10% or more of the same class of outstanding equity securities;**

   During the immediately preceding three-year period, there has not been any increase of 10% or more in any class of securities of the Company.

9. **any past, pending, or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization;**

   The Company pays dividends on its preferred shares, which are not freely tradable.

   Other than dividends paid on preferred shares, the Company has no present intention to pay dividends, and there have been no dividends paid in the immediately preceding three-year period, any stock split, stock dividend, recapitalization, merger, spin-off, or reorganization.

10. **any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board; and**

    During the immediately preceding three-year period, the Company's shares have not been delisted by any securities exchange. Shares of the Company are traded only on the OTCQX tier of the OTC marketplace, an electronic interdealer quotation system for broker-dealers to trade unlisted securities operated by OTC Markets Group, Inc.

11. **any current, past, pending, or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past, or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.**

    From time to time, the Company and its subsidiaries are subject to litigation in the ordinary course of business, including contract, franchisee and employment-related litigation. In the course of enforcing its rights under existing and former franchisee agreements, the Company is subject to complaints and letters threatening litigation concerning the interpretation and applicability of these agreements, particularly in cases involving defaults and terminations of franchises.

    The Company is involved in litigation. The details of the litigation are as follows:

Active Claims

Elaine Cain v. Precision Tune, Florence County Court of Common Pleas, South Carolina, C/A NO: 2014-CP-21-926, Filed April 11, 2014.

The plaintiff, Ms. Elaine Cain, was a customer at a Precision Tune Auto Care center (the "Center") in Florence, South Carolina. She alleges she brought her vehicle to the Center for service and that, while servicing the vehicle, a technician at the Center caused the transmission to fall out of the vehicle damaging the transmission beyond repair. Ms. Cain claims actual, consequential, and punitive damages for breach of contract, fraud, negligence, gross negligence, intentional infliction of emotional distress, and negligent misrepresentation.

WTF, Inc. (WTF) owns and operates the Center pursuant to a Precision Tune Auto Care Franchise Agreement with Precision Franchising LLC (the "Company").

Neither the Company nor any affiliate of the Company (collectively the, "Named Defendant") owned or operated or had any control over the operation of the Center. Therefore, the Company believes the plaintiff has improperly sued the Named Defendant. The Company believes the proper defendant in this matter is WTF.

The Company communicated to WTF its belief that WTF should be the defendant in this matter, and WTF put its insurance carrier on notice of the plaintiff's claim.

WTF's insurance carrier assigned counsel to defend the Named Defendant, and assigned counsel has filed an answer on behalf of Named Defendant. Assigned counsel is currently in communication with plaintiff's counsel seeking to convince plaintiff's counsel to voluntarily dismiss Named Defendant and substitute WTF as the proper defendant.

As an improper party in this matter, the Company does not expect to incur any loss or cost in this matter. In addition WTF, as the franchisee of the Center, has an obligation to defend and indemnify the Company for claims by third parties against the Company, such as the claim made by the plaintiff.

Lumnivision, S.A. de C.V. v. Praxis Afinaciones, S.A. de C.V., Third Civil Court, First Judicial District, Monterrey, Nuevo Laredo, Mexico, Filed: 2002.

Lumnivision filed suit against Praxis Afinaciones, an indirect wholly owned subsidiary of the Company. Praxis Afinaciones denies the allegations.

The amount in controversy is 766,000 Mexican Pesos, plus interest at the rate of 5% per month, for services under a contract.

The Company is not aware of any activity in this matter since the initial lawsuit was filed, and the Company does not expect to incur liability in this matter.

United Bank, NA v. C. Eugene Deal, Miracle Partners, Inc., Star Auto Center, Inc., Common Pleas Court of Cuyahoga County, Ohio, Case No. 01-CV0019, Filed January 11, 2001.

Miracle Partners, Inc., a wholly-owned subsidiary of the Company, was party to a confessed judgment for approximately $1.3 million. Miracle Partners, Inc. is currently inactive and has no assets.

Management believes this judgment will have no material impact on the company's consolidated results of operations. Furthermore, the Company believes it has a meritorious claim against Mr. Deal for misrepresentations made in connection with Precision Auto Care, Inc.'s acquisition of Miracle Partners, Inc. in 1997 for all amounts covered by the judgment.

Threatened Claim

Mouren-Laurens Oil Company v. National 60 Minute Tune, Inc. & Precision Tune, Inc., Joint Notice of Intent to Sue Pursuant to 42 U.S.C. §§6972, 9607 and 9613 and Cal. Health & Safety Code § 25363 Against Persons Alleged to Be Liable under the Comprehensive Environmental Responses, Compensation, and Liability Act ("CERCLA"), the Resource Conservation and Recovery Act ("RCRA") and the California Hazardous Substances Account Act ("HSAA"), October 6, 2010.

This claim stems from an allegation that National 60 Minute Tune, Inc. (N60MT) and/or Precision Tune, Inc. (PTI) are culpable in the generation, storage, transportation, or disposal of hazardous waste in connection with the operation of two National 60 Minute Tune businesses, one operated in Compton, California (the "Compton Location") and the other operated in Gardena, California (the "Gardena Location").

Based upon the Company's records, there is no evidence PTI, N60MT, or any of their affiliates (the "Company") operated or franchised the operation of a National 60 Minute Tune, Precision Tune, or Precision Tune Auto Care business at either the Compton or Gardena Locations. In addition, there is no evidence the Company ever had any ownership interest in the real property (leasehold or otherwise) at the Compton or Gardena Locations. Accordingly, the Company responded on October 22, 2010 to the Notice of Intent to Sue that there was no evidence in the Company's possession to support a claim by Mouren-Laurens Oil Company under CERCLA, RCRA, or HSAA.

Resolved Claims

Justin Lee v. Hyundai Motor America, Inc.; Precision Tune Auto Care, U.S. District Court, N.D. of Alabama, Case No. 16-cv-00159-SGC, Filed Jan. 28, 2016.

Justin Lee (the "Plaintiff") sought to establish a class action on behalf of all owners or lessees of 2011 or later Hyundai Elantra automobiles (the "Elantras") who purchased aftermarket oil filters and oil change services from Precision Tune Auto Care centers for said Elantras.

The Plaintiff alleged that: (1) the engines in the Elantras are defective due to residual metal debris; (2) Precision Tune Auto Care knew of this defect; and (3) Precision Tune Auto Care installed oil filters that would not adequately remove the residual metal debris and protect the engine from harm. In this regard, the Plaintiff claims Precision Tune Auto Care violated the Alabama Deceptive Trade Practices Act and breached its warranty for oil change services.

Precision Tune Auto Care, Inc. filed a motion to dismiss the Plaintiff's claim for lack of personal jurisdiction and for failure to state a claim; and the court granted its motion on the grounds that the court did not in fact have personal jurisdiction over Precision Tune Auto Care, Inc. Subsequently, the Plaintiff settled its claims against Hyundai Motor America, Inc., and the case was dismissed without prejudice on June 13, 2016.

***Krystyne Peterson v. US Pierson, LLC and Precision Tune Auto Care*,** District Court, County of Hennepin, Minnesota, Served on March 6, 2014.

The plaintiff, Ms. Krystyne Peterson, was employed at a Precision Tune Auto Care center (the "Center") in Coon Rapids, Minnesota. She alleges during her employment at the Center she suffered sexual harassment and discrimination, reprisal, retaliation, and that she did not receive equal pay for equal work as required under Minnesota Statutes, Section 118.

US Pierson, LLC owned and operated the Center pursuant to a Precision Tune Auto Care Franchise Agreement.

Since the plaintiff was not employed by Precision Tune Auto Care, Inc. or any of its affiliates (the "Company"), the Company believes the plaintiff has improperly sued the Company. The Company has communicated to counsel for the plaintiff that the Company is not a proper party in this matter.

The Company also put its insurance carrier on notice of the matter, and the Company's insurance carrier retained counsel to defend the Company's interests.

Plaintiff's counsel gave the Company an extension to file an answer in this matter, and the Company has not yet filed an answer pending its request to be dismissed. On September 22, 2014, the plaintiff filed an action in Hennepin County District Court (27-CV-14-15900) against US Pierson LLC, Motorscope, Inc., and James Erik Pierson. The Company was not named as a defendant in that action; and the statute of limitations has now run on the Plaintiff's claims against the Company. While the Plaintiff could bring a new action based upon a tort or contract claim (both of which have longer statutes of limitation), the Company believes the chances of such a claim are remote.

***JPMorgan Chase Bank, National Association v. Rizkallah Dokmaji, Precision Tune Auto Care, Inc. et al.*,** Circuit Court, Miami-Dade County, Florida, Case No. 12 31547CA15, Filed August 07, 2012.

JPMorgan Chase Bank (JPMorgan) filed suit to foreclose on a mortgage (the "Mortgage") on real property in Miami-Dade County, Florida.

JPMorgan alleged Precision Tune Auto Care, Inc. held a lien (the "PTAC Lien") upon property subject to the Mortgage; and JPMorgan desired to extinguish the PTAC Lien or, in the alternative, to have the court declare the PTAC Lien junior to the Mortgage.

JPMorgan and Rizkallah Dokmaji settled all claims; and the matter has been dismissed without cost or expense to Precision Tune Auto Care, Inc.

* * * * * *

The Company does not believe that any of the above proceedings will result in material judgments against the Company. There can be no assurance, however, that these suits will ultimately be decided in its favor. Any one of these suits may result in a material judgment against the Company, which could cause material adverse consequences to its operations.

B. ***Business of Issuer.***

OVERVIEW

As of June 30, 2016, PTAC Operating Centers, Inc. (POC), a Virginia corporation and subsidiary of the Company, operated forty Company Centers. POC employed one hundred and forty-three full-time employees and fifteen part-time employees. Also as of June 30, 2016, Precision Franchising LLC (PFL), a Virginia limited liability company and also a subsidiary of the Company, was the franchisor for 215 domestic Franchised Centers, and 63 international Franchised Centers. A third subsidiary of the Company, Precision Tune Auto Care, Inc., a Virginia corporation, employed twenty-four full-time employees and one part-time employee to manage the operations of these entities. The Company's primary SIC code is 7500. The operations of the Company's subsidiaries (including PFL and POC) are included in the consolidated financial statements prepared by the Company and included in this initial disclosure statement and any financial statements the Company may post to the OTC marketplace at www.otcmarkets.com.

The current prototype Center is a free-standing building with six to eight service bays, of which two to four are drive-through and include pits to facilitate fast oil change and lubrication services. Centers are developed either by entering into a build-to-suit lease, under which the landlord constructs the Center and leases it to the franchisee, or by purchasing land and building a facility. Centers are typically located in commercial areas with a minimum population of 50,000 people within a five mile radius. Exclusive of real estate, the estimated capital required to open a prototype Center ranges from $127,000 to $254,000.

Marketing strategies for the System focus on three objectives: (1) increase top-line revenue at the Centers by driving more traffic to each Center; (2) enhance the experience for first-time customers by upgrading the exterior and interior of the Centers; and (3) bolster customer retention efforts. To further these objectives, the System has developed and implemented a marketing plan containing programs and materials for use by Centers, including targeted marketing programs designed to reach key market segments, in-store merchandising materials designed to enhance retail sales and first time customer trials, and other local marketing materials (e.g., second car discounts, service reminder cards, and ATM receipt coupons) designed to generate customers and improve customer retention.

The Company believes that PFL's franchise program is a point of distinction in a competitive market place. New franchisees are required to successfully complete over 40 hours of initial training at PFL's training center in Leesburg, Virginia. The Company also offers a full line of technical training, including courses on engine performance, fuel systems and emissions, automotive electronics, fuel injection, and brake certification. These courses, which include both classroom and hands-on training, are designed to allow franchisees and Center technicians to maintain and update their technical capability to service today's more complex vehicles.

PFL's franchise sales process includes advertising in appropriate franchise and business publications, establishing relationships and working with sales brokers, conducting franchise sales seminars, maintaining a home page on the Internet through which interested parties may submit a franchise inquiry, and advertising on several franchise sales orientated web sites. Prospective franchisees are asked to complete a Confidential Qualification Report, which serves as the initial screening to determine whether a prospect is qualified. PFL seeks individuals who will make a full-time commitment to the operation of their Center and who have a minimum of $70,000 and $250,000 in liquid assets and net worth, respectively.

In some areas of the United States, PFL employs an area-development system to facilitate expansion of the System and to provide regional support to franchisees. PFL grants area developers the right and obligation to develop Centers within specific geographic regions for stated periods of time. Franchise agreements within the area are between PFL and the franchisee. The area developer typically receives up to one-half of the initial franchise fee, one-half of the subsequent royalty revenues and one-half of franchise renewal and transfer fees. After execution of a franchise agreement, the area developer performs many of PFL's franchise support obligations. As of June 30, 2016, three (3) area developers and their affiliates had an ownership interest in approximately 36% of the total number of domestic Franchised Centers.

The market for new area developers has been competitive, and PFL has not issued any new area development rights during the last twelve months.

PFL has offered franchises during the preceding five years under franchise agreements that vary in detail as the System has evolved. Royalty rates in existing franchise agreements range from 6.0% to 7.5%. Currently, PFL's standard franchise agreement requires payment of an initial franchise fee of $25,000 and a continuing royalty of 6.0% to 7.5% of weekly gross receipts. In addition, the franchisee is required to contribute to or expend up to 9% of weekly gross receipts on advertising, of which 1.5% is currently paid into a national marketing fund and up to 7.5% of which is spent locally. The current standard form franchise agreement has an initial term of ten years and provides for two five-year renewal options.

PFL has implemented a domestic program under which qualified franchisees are eligible to have their royalty rate reduced to as low as 6% if they satisfy certain criteria. Under the program, franchisees are also provided with an incentive to purchase additional franchises. Any franchisee that has owned and operated a center for at least one year in accordance with this program will be charged an initial franchise fee of $15,000 for a second franchise and $10,000 for each additional franchise purchased, provided certain conditions are met.

Under its current form of domestic franchise agreement, PFL may provide technical and administrative support, centralized marketing support, and training and related support available to its franchisees. In areas where there are area developers, the Company has delegated most of these duties to area developers under its area developer system.

Upon non-renewal and transfer, PFL has the first right to purchase the operating assets and obtain an assignment of leased facilities in certain cases. PFL may exercise its rights directly or assign them to a third party. In certain situations, PFL or POC may repurchase Franchised Centers. The decision to repurchase is made solely at its discretion and is not a contractual obligation. PFL may also periodically obtain possession of some Centers by exchanging for such assets notes payable or other consideration, or by exercising or foregoing other rights outlined in an applicable franchise agreement.

PFL also enters into master franchise agreements to develop international markets. At the present time, PFL has master franchise agreements in Taiwan, Oman, Portugal, the Republic of Georgia, Armenia, Azerbaijan, Nigeria, Ghana, Egypt, Libya, Turkey, Lebanon, Jordan, Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, Gambia, Guinea, Guinea Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Mexico and Togo. Generally, the master franchisee pays a license fee and is required to develop Precision Tune Auto Care centers in accordance with an agreed upon schedule within the defined area. Franchise agreements within the area are between the master franchisee and the unit franchisee. The master franchisee is required to perform all of the obligations of the franchisor including training, administrative, and operational support, and the Company generally receives 20% of the initial franchise fee and 20% of royalties.

COMPETITION

Centers encounter competition in all aspects of their business. The Company believes automobile dealerships, including recently emerging national and regional new and used automotive dealerships represent the principal competition for Centers in the System. Other competitors include tire companies and regional under-the-hood service specialists. National competitors include Sears Auto Center and the automotive maintenance centers operated by Goodyear, Monro Muffler/Brake, Midas, Meineke, Jiffy Lube, and Firestone, among others. The Company believes the greater technical complexity of today's vehicles provides a substantial barrier to entry for competitors in the "under-the-hood" segment of the automotive care services industry.

The Company believes Centers compete on the basis of customer service, convenience, location and, to a lesser extent, on price. The Company believes the ability to offer a wide variety of services at Centers may offer a competitive advantage.

In addition to competition related to the operation of Centers, PFL also faces competition relating to the sale of franchises. Competitive factors influencing franchise sales include: start-up costs, royalty rates, franchise support, and the general viability of the business models employed by competitive franchise systems. PFL faces competition for franchisees not only from other automotive service franchises but from franchise companies operating in other industries as well.

GOVERNMENT REGULATION

PFL is subject to federal, international, and state laws and regulations, including the regulations of the Federal Trade Commission as well as similar authorities in individual states, in connection with the offer, sale, and termination of franchises and the regulation of the franchisor/franchisee relationship. From time to time, PFL may experience periods during which sales are restricted while PFL renews its registrations for the sale of franchises with various state agencies. Such delays may have an adverse effect on its ability to offer and sell franchises.

PFL may become subject to litigation with franchisees or with the federal or state agencies that regulate the sale of franchises or the franchise relationship. The failure by PFL to comply with the myriad laws impacting the sale of franchises or the franchise relationship could subject PFL to liability to franchisees and to fines or other penalties imposed by governmental authorities and could have a material adverse effect on its financial condition and results of operations. Nevertheless, PFL has established systems and procedures to comply with these franchise regulations, and fosters a corporate culture of robust compliance.

Centers store new oil and handle large quantities of used automotive oils and fluids. As a result of these activities, Centers are subject to various federal, state, and local environmental laws and regulations dealing with the transportation, storage, presence, use, disposal, and handling of hazardous materials and hazardous wastes, and underground fuel storage tanks. If any such substances were improperly released or improperly stored on the property of any Company Center, including leased properties, POC may be found in violation of applicable environmental laws and regulations, and could be held liable for costs of clean-up, property damage, and fines or other penalties, any one of which could have a material adverse effect on its financial condition and results of operations. Similarly, in the event any Franchised Center failed to comply with environment regulations, PFL could be sued under a theory of vicarious liability. However, in the Company's estimation, the chance PFL would be held liable for any Franchisee's actions, or failure to act, regarding environmental compliance is negligible.

TRADEMARKS

PFL has registered a number of trademarks and service marks with the United States Patent and Trademark Office, including "Precision Tune Auto Care." Its failure to obtain and maintain trademark and service mark registration could have a material adverse effect on its operations. PFL has also registered or made application to register trademarks in foreign countries where master franchise licenses have been granted.

SEASONALITY

Seasonal changes may impact various sectors of the Company's businesses and, accordingly, its operations may be adversely affected by seasonal trends in certain periods. In particular, severe weather in winter months may make it difficult for consumers in affected parts of the country to travel to Centers and obtain services.

RISK FACTORS

The Company's business and investment in its common stock are subject to certain risks, which the Company believes includes the following:

Competition. As noted above, Centers encounter competition in all aspects of their operation. Certain competitors discussed above have greater financial resources than the Company. There can be no assurance the Company or individual Centers will be able to compete effectively.

In addition to competition related to the operation of Centers, PFL also faces competition relating to the sale of franchises. Competitive factors influencing franchise sales include: start-up costs, royalty rates, franchise support, and the general viability of the business models employed by competitive franchise systems. PFL faces competition for franchisees not only from other automotive service franchises but from franchise companies operating in other industries as well.

Reliance on Franchising. Franchise royalties are a significant component of PFL's and the Company's revenue base. Therefore, the Company depends upon the ability of its franchisees to promote and capitalize upon the System and the System's notoriety. There can be no assurance that PFL or its area developers will be able to recruit and retain franchisees with the business abilities or financial resources necessary to open additional Centers or that the franchisees will conduct operations profitably. Factors that have likely had an adverse impact on the total number of domestic Franchised Centers include: (1) an industry in transition; (2) reduced spending by consumers and a corresponding reduction in revenues at certain Franchised Centers that have failed to remain competitive; (3) rigorous lending standards for small businesses. To help offset the trend, the Company is developing Company Centers and becoming more aggressive in enforcing area developer development quotas.

In addition, to the extent domestic Franchised Centers are able to finance their operations with secured indebtedness, the Company's rights to receive franchise royalties would be effectively subordinated to the rights of franchisees' lenders. Accordingly, the Company is also following the ongoing developments in the credit markets and is monitoring developments that could impact the availability of credit for the development of Centers, whether by franchisees or by the Company's subsidiary, POC.

Automotive Technology Advances. The demand for the services offered by Centers could be adversely affected by continuing developments in automotive technology. Automotive manufacturers are producing cars that last longer and require service and maintenance at less frequent intervals. For example, some manufacturers now recommend that consumers change oil at 10,000 mile intervals and replace spark plugs and other engine components at 100,000 miles, a significant increase from the mileage intervals recommended for earlier models and those currently recommended by most manufacturers. The demand for Centers' services also could be adversely affected by longer and more comprehensive warranty programs offered by automobile manufacturers and other third parties. The Company and PFL believe a majority of new automobile owners have their cars serviced by a dealer during the period the car is under warranty. In addition, advances in automotive technology may require Centers to incur additional costs to update its technical training program and upgrade the diagnostic capabilities of its centers.

Labor Availability. The provision of high-quality maintenance services at Centers requires an adequate supply of skilled labor. In addition, the operating costs and operating revenues of such centers may be adversely affected by high turnover in skilled technicians. Trained and experienced automotive technicians are in high demand. Accordingly, a center's ability to increase productivity and revenues could be affected by its inability to maintain the employment of skilled technicians necessary to provide the profitable services. There can be no assurance that Centers will be able to attract and maintain an adequate skilled labor force necessary to operate profitably or that labor expenses will not increase as a result of a shortage in the supply of skilled technicians, thereby adversely impacting financial performance.

Dependence on Management and Key Personnel. The Company's success depends to a significant extent on the performance and continued services of senior management and certain key personnel. The Company believes these individuals possess the necessary experience in financing, operating and managing a company intent on improving its financial performance. The loss of the services of one or more of these key employees could have a material adverse impact on its financial condition and results of operations.

Seasonal Nature of Portions of the Business. Seasonal changes may impact various sectors of the Company's businesses and, accordingly, its operations may be adversely affected by seasonal trends in certain periods. In particular, severe weather in winter months may make it difficult for consumers in affected parts of the country to travel to Centers and obtain services.

Control by Management and Principal Shareholders. As of August 24, 2016, the Company's directors, executive officers, and shareholders beneficially owning more than 5% of its outstanding common stock, in the aggregate, beneficially owned approximately 78% of its outstanding common stock. Accordingly, these persons have substantial influence over the Company and its subsidiaries, including the ability to influence the election of directors and appointment of management, the outcome of votes by its shareholders on major corporate transactions, including mergers, and the sales of substantial assets and other matters requiring shareholder approval.

Regulatory Risks. As noted above, PFL is subject to franchise regulation impacting the sale of franchises and the franchise relationship. In addition, the business of the Centers face a wide range of regulations, including environmental laws and regulations, occupational regulations (including OSHA); and local licensing requirements.

Income Taxes. The Company has recognized a deferred tax asset, which is subject to analysis under Section 382 of the IRC. Under Section 382, if the sale (or cumulative sales) of shares in the Company during any three-year period results in a "change of control," the deferred tax asset may be impaired. To date, however, there has not been a "change of control" that would impair this asset, and at this time, the Company is not aware of any circumstance that would result in a "change of control." Nevertheless, the Company does have a few large, individual shareholders who own collectively more than a majority of the outstanding shares of the Company and could, in combination, effect a "change of control" of the Company, resulting in the impairment of the deferred tax asset.

Cautions Regarding Forward Looking Statements. This disclosure statement includes forward-looking statements within the meaning of the Securities Act of 1933 (the "Securities Act") and the

Securities Exchange Act of 1934. When used in this report, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” or “plan,” as they relate to the Company or its management, are intended to identify such forward-looking statements. All statements regarding the Company or the Company’s expected future financial position, business strategy, cost savings, and operating synergies, projected costs, and plans and objectives of management for future operations are forward-looking statements. Although the Company believes the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements herein include, among others, the factors set forth above under the caption “Risk Factors,” general economic and business and market conditions, changes in federal and state laws, and increased competitive pressure in the automotive aftermarket industry.

1. **the issuer’s primary and secondary SIC Codes;**

   Standard Industrial Code for the Company’s main line of business is: 7500

2. **if the issuer has never conducted operations, is in the development stage, or is currently conducting operations;**

   The Company and its affiliates are currently conducting business and operations.

3. **whether the issuer has at any time been a “shell company”;**

   The Company is not a “shell company.” However, most operations of the Company are conducted through its subsidiaries.

4. **the names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement;**

   As mentioned throughout this disclosure statement, the Company’s operations are conducted, directly or indirectly, through wholly-owned subsidiaries.

5. **the effect of existing or probable governmental regulations on the business;**

   As discussed above, there are numerous governmental regulations which impact the operations of the Company and its subsidiaries. These regulations include: environmental, tax, corporate governance, various licensing requirements, and franchise compliance laws and regulations at both the federal and state level.

6. **an estimate of the amount spent during each of the last two fiscal years on research and developmental activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers;**

   The Company has not spent any material amounts in the last two fiscal years on research or development activities.

7. **costs and effects of compliance with environmental laws (federal, state and local); and**

   The business of the Company Centers face a wide range of regulations, including environmental laws and regulations, occupational regulations (including OSHA); and local licensing requirements. To address concerns associated with environmental laws and regulations at Company Centers, the Company has purchased insurance and established processes and procedures to minimize risk. The costs of compliance have not adversely affected operations.

8. **the number of total employees and number of full-time employees.**

   The Company employs one hundred and eighty-three employees, of which one hundred and sixty-seven are full-time.

Item IX The nature of products or services offered.

A. principal products or services, and their markets;

The Company has two principal products or services. Through its subsidiary POC, the Company provides automotive maintenance and repair services, such as engine performance, oil change and lubrication and brake services, which typically are performed at frequent service intervals. At June 30, 2016, these services were provided to the public in a retail environment at forty Company Centers owned and operated by POC.

In addition to the retail sale of products and services, the Company, through its subsidiary PFL, is a global franchisor of auto care centers. At June 30, 2016, these services were provided at 278 domestic and international Precision Tune Auto Care centers owned and operated by franchisees.

Company revenues are derived from four primary areas: royalties, company-operated retail stores, franchise development and product sales. Royalty revenues are derived from royalty fees paid by individual franchisees to the Company based on qualified retail sales by the franchisee. Retail revenues are realized from providing maintenance and repair services, as well as from the parts that are provided as part of that service, to the public. Franchise development revenues include sales of franchises and master licenses. Product revenues are derived from the sale of automotive related supplies and equipment to Franchised Centers.

The Company's core auto care and franchising business continues to benefit from an improved focus on unit economics, offering certain product services to the franchisees such as equipment and other marketing related materials as well as field training programs. Additionally, the Company is seeking growth through acquisitions.

B. distribution methods of the products or services;

As of June 30, 2016, the overwhelming majority of Centers, domestic and international, were owned and operated by franchisees. Domestic Franchised Centers have been sold during the preceding years under franchise agreements that vary in detail as the System has evolved. Under its current form of domestic franchise agreement, PFL may provide technical and administrative support, centralized marketing support, and training and related support to Franchised Centers. In areas where there are area developers, the Company has delegated most of these duties to area developers under its area-developer system.

PFL also enters into master franchise agreements to develop international markets. At the present time, PFL has master franchise agreements in Taiwan, Oman, Portugal, the Republic of Georgia, Armenia, Azerbaijan, Nigeria, Ghana, Egypt, Libya, Turkey, Lebanon, Jordan, Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, Gambia, Guinea, Guinea Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Mexico and Togo.

C. status of any publicly announced new product or service;

Other than announcements relating to the Company's strategic initiatives to expand product offerings to include tires and tire related services and to pursue the operation and acquisition of Company Centers, the Company has not made any public announcement regarding new products or services.

D. competitive business conditions, the issuer's competitive position in the industry, and methods of competition;

The Centers encounter competition in all aspects of their business. The Company believes automotive dealerships (for both used and new vehicles); including recently emerging national and regional firms, represent the System's principal competitors. Other competitors include: tire companies and regional under-the-hood service specialists. National competitors include Sears Auto Center and the automotive maintenance centers operated by Goodyear, Monro Muffler/Brake, Midas, Meineke, Jiffy Lube, and Firestone, among others. The Company believes the greater technical complexity of today's vehicles provides a substantial barrier to entry for competitors in the "under-the-hood" segment of the automotive care services industry.

The Company believes Centers all compete on the basis of customer awareness through advertising, service, convenience, and location and, to a lesser extent, on price. The Company believes Centers' ability to offer a wide array of services and products may offer a competitive advantage.

E. sources and availability of raw materials and the names of principal suppliers;

In general, the Company, its subsidiaries, and Centers in the System do not rely upon "raw materials" in the operation of their businesses. However, certain commodities often present challenges to the profitable operation of a Center.

F. dependence on one or a few major customers;

The Company is not dependent upon one or a few major customers.

G. patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration; and

PFL has registered a number of trademarks and service marks with the United States Patent and Trademark Office, including "Precision Tune Auto Care." Its failure to obtain and maintain trademark and service mark registration could have a material adverse effect on its operations. PFL has also registered or made application to register trademarks in foreign countries where master franchise licenses have been granted. The principal domestic trademarks obtained by PFL include the following:

Mark/ First Use Date	Registration No./ Registration Date	Identification of Goods/Services
PRECISION TUNE AUTO CARE & DESIGN August 1996	2,125,311 December 30, 1997	Auto repair, maintenance, and lubrication services, in Class 37.
PRECISION TUNE AUTO CARE August 1996	3,015,281 Nov 15, 2005	Auto and vehicle tune-up, repair and maintenance services; Repair and maintenance of automobile climate control and lighting systems in class 37.
AMERICA'S NEIGHBORHOOD AUTO CARE EXPERTS	3,091,303 May 9, 2006	Auto and vehicle tune-up, repair and maintenance August, 2004 services; Repair and maintenance of automobile climate control and lighting systems in class 37

H. the need for any government approval of principal products or services and the status of any requested government approvals.

PFL is subject to federal, international, and state laws and regulations, including the regulations of the Federal Trade Commission as well as similar authorities in individual states, in connection with the offer, sale, and termination of franchises and the regulation of the franchisor/franchisee relationship. From time to time, PFL experiences periods during which sales are restricted while PFL renews its registrations for the sale of franchises with various state agencies. Such delays may have an adverse effect on its ability to offer and sell franchises.

Item X The nature and extent of the issuer's facilities.

The Company's corporate headquarters are located in approximately 13,700 square feet of leased office space in Leesburg, Virginia pursuant to a lease that expires in 2018. In the opinion of management, the Company's current space is adequate for its operating needs.

Part D Management Structure and Financial Information

Item XI The name of the chief executive officer, members of the board of directors, as well as control persons.

A. ***Officers and Directors*****. In responding to this item, please provide the following information for each of the issuer's executive officers, directors, general partners and control persons, as of the date of this information statement.**

As of June 30, 2016:

Louis M. Brown, Jr. 748 Miller Drive SE Leesburg, VA 20175	Chairman
Robert R. Falconi 748 Miller Drive SE Leesburg, VA 20175	President/CEO
Woodley A. Allen 2831 Rifle Ridge Road Oakton, VA 22124	Director
Alex J. Brown 36 S. Charles Street, 20th Floor Baltimore, MD 21201	Director
Peter C. Keefe, Executive Chairman Avenir Corporation 1775 Pennsylvania Avenue, NW Suite 650 Washington, DC 20006	Director
Ronald J. Kolson 748 Miller Drive, SE Leesburg, VA 20175	Director
Mark P. Francis 748 Miller Drive SE Leesburg, VA 20175	Chief Financial Offer
Frederick F. Simmons 748 Miller Drive SE Leesburg, VA 20175	Sr. VP General Counsel
John T. Wiegand 748 Miller Drive SE Leesburg, VA 20175	Sr. VP-Operations
Joel Burrows 748 Miller Drive SE Leesburg, VA 20175	VP-Training & Research
Lee Oppenheim 748 Miller Drive SE Leesburg, VA 20175	VP-Business Development

Louis M. Brown, Jr. became Chairman of the Board in October 2003. From October 2003 to May 2006, he was Chairman of the Board and Chief Executive Officer. From August 2000 until October 2003, he was the Company's President and Chief Executive Officer. He was Vice Chairman of Micros Systems, Inc. from April 2001 until September 2014 when Micros Systems, Inc. was sold to Oracle Corporation and was Chairman of the Board from January 1987 to April 2001.

Robert R. Falconi became Chief Executive Officer in May 2006. He also remains President. From November 2003 to April 2006, he was Chief Operating Officer and Chief Financial Officer. From March 2002 to October 2003, he was Executive Vice President and Chief Operating Officer/Chief Financial Officer. From September 2000 to February 2002, he was the Company's Vice President—Finance, Administration and Chief Financial Officer. From August 1998 until September 2000, he was Chief Financial Officer of Apptis, Inc.

Woodley A. Allen was Chairman of the Board of the Company from February 2000 until October 2003, and serves as Chairman of the Audit Committee, and serves on the Nominating Committee. He also serves as the Board's financial expert. He served as Chief Financial Officer of EZ Communications, Inc. (publicly traded radio broadcasting company) from March 1973 to May 1992, and has been President of Allen Management Services since May 1992.

Alex J. Brown is a partner in the law firm of Shapiro, Sher, Guinot & Sandler, P.A. He is an insurance lawyer and commercial litigator with a diverse background. Mr. Brown has extensive experience representing clients in both the private and public sector. He has represented insurance policyholders, insurers, Risk Retention Groups and insurance professionals in complex insurance litigation and transactional insurance matters. As a former Assistant Attorney General and Senior Counsel to the Maryland Insurance Administration, Mr. Brown has also represented the Maryland Insurance Commissioner on a wide variety of regulatory and other State government and administrative law issues. He is a son of Louis M. Brown, Jr. Chairman of the Board.

Peter C. Keefe has been Executive Chairman of Avenir Corporation since April 2015. From January 2000 to April 2015, he was President of Avenir Corporation, and served as its Vice President from May 1991 until January 2000. Mr. Keefe serves as Chairman of the Organization and Compensation Committee and is a member of the Audit Committee.

Ronald J. Kolson became a director of the Company in November 2014 and serves on the Audit and Nominating Committees. Beginning in October 2012, Mr. Kolson was the Chief Financial Officer of 24/7 Mid-Atlantic Network, LLC, a fiber optic network provider, and later served as its Chief Executive Officer until November 2013. Previously he served as the Chief Financial Officer of FiberGate, Inc., from 2000 to September 2012. Between 1984 and 2000, Mr. Kolson was the Chief Financial Officer and later, Executive Vice President/Chief Operating Officer of Micros Systems, Inc.

Mark P. Francis became Chief Financial Officer in May 2006. From October 2004 to April 2006, he was Controller. From April 2004 until October 2004, Mr. Francis was the Assistant Controller of the Company. From December 1999 until April 2004, he was an accounting manager of REHAU, Inc.

Frederick F. Simmons became Senior Vice President, General Counsel and Secretary in March 2001. From December 1995 to February 2001, he was Assistant General Counsel and Assistant Secretary of Advantica Restaurant Group, Inc.

John T. Wiegand became Senior Vice President—Operational Programs and Training in March 2002. From August 2000 to March 2002, he was Senior Vice president of Franchise Operations and from June 1998 to August 2000, he was Vice President of North American Operations. Mr. Wiegand joined WE JAC Corporation, the Company's predecessor, as Director of Field Operations in August 1996.

Joel Burrows became Vice President—Training/Research and Development in September 1999. From December 1997 until September 1999, he was the PTAC Director of Training/Research and Development.

Lee Oppenheim became Vice President—Business Development in September 2007. Mr. Oppenheim has over six years' experience in the franchising industry. Previously he held the position of Senior Director of Business Development at Realogy Corporation, the leader in residential real estate formerly a division of Cendant Corporation, in Parsippany NJ.

B. *Legal/Disciplinary History*. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. **A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);**
   NOT APPLICABLE
2. **The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;**
   NOT APPLICABLE
3. **A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or**
   NOT APPLICABLE
4. **The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.**
   NOT APPLICABLE

C. *Disclosure of Certain Relationships*. Describe any family relationships among and between the issuer's directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of any class of the issuer's equity securities.

Peter Keefe is the Executive Chairman of Avenir Corporation. Avenir, and will vote the shares of approximately 2.8 million held by Avenir Corporation.

D. *Disclosure of Related Party Transactions*. Describe any transaction during the issuer's last two full fiscal years and the current fiscal year or any currently proposed transaction, involving the issuer, in which (i) the amount involved exceeds the lessor of $120,000 or one percent of the average of the issuer's total assets at year-end for its last three fiscal years and (ii) any related person had or will have a direct or indirect material interest. Disclose the following information regarding the transaction:

1. **The name of the related party and the basis on which the party is related to the issuer:**
   Precision Tune Auto Care, Inc. (a subsidiary of the Company) provides certain support services to PTAC Marketing Fund, Inc. ("PMF"), the national advertising fund for Precision Tune Auto Care Centers, pursuant to a Management Agreement approved by the Board of Directors of PMF, which is comprised of franchisee and Company personnel. Precision Tune Auto Care, Inc. charged PMF approximately $528,000 for administrative and other expenses

incurred on behalf of PMF, for the years ended June 30, 2016 and 2015, respectively. Based on the timing of receipts and disbursements, it is common for amounts to be due to and from Precision Tune Auto Care, Inc. and PMF. At June 30, 2016 and 2015, the amount due from PMF was approximately $44,000. This amount is included in accounts receivable. At June 30, 2016 and 2015, the amount due to PMF was approximately $160,000 and $159,000, respectively. This amount is included in due to related party.

2. **The related party's interest in the transaction;**
   See above disclosure.

3. **The approximate dollar value involved in the transaction (in case of indebtedness, disclose the largest aggregate amount of principal outstanding during the time period for which disclosure is required, the amount thereof outstanding as of the latest practicable date, the amount of principal and interest paid during the time period for which disclosure is required, and the rate or amount of interest payable on the indebtedness);**
   See above disclosure.

4. **The approximate dollar value of the related party's interest in the transaction; and**
   See above disclosure.

5. **Any other information regarding the transaction or the related party in the context of the transaction that is material to investors in light of the circumstances of the particular transaction.**
   NOT APPLICABLE

E. ***Disclosure of Conflicts of Interest*. Describe any conflicts of interest. Describe the circumstances, parties involved and mitigating factors for any executive officer or director with competing professional or personal interests.**
NOT APPLICABLE

Item XII Financial information for the issuer's most recent fiscal period.

Yount Hyde & Barbour

Certified Public Accountants
and Consultants

Independent Auditor's Report

To the Board of Directors
Stockholders of Precision Auto Care, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Precision Auto Care, Inc. and subsidiaries which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Precision Auto Care, Inc. and subsidiaries as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
September 19, 2016

PRECISION AUTO CARE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2016	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,122,257	$ 3,197,401
Accounts receivable, net of allowance of $19,294 and $17,207, respectively	560,378	471,116
Notes receivable	93,960	123,456
Deferred tax asset	829,201	597,596
Inventory and other assets	1,052,671	846,570
Total current assets	5,658,467	5,236,139
Property and equipment, net	5,830,659	4,048,176
Goodwill	11,350,034	11,080,034
Notes receivable, net of allowances of $18,000 and $18,500	135,394	211,950
Deferred tax asset	1,225,387	2,166,830
Deposits and other	166,830	162,867
Total assets	$ 24,366,771	$ 22,905,996
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line-of-credit	$ —	$ —
Notes payable—current	320,560	356,430
Accounts payable and accrued liabilities	880,763	803,190
Taxes payable	159,704	140,442
Accrued commission payable	140,862	120,129
Accrued salaries and related expenses	492,039	713,972
Due to related party	159,922	158,806
Deferred revenue	72,990	31,590
Total current liabilities	2,226,840	2,324,559
Notes payable, net of current portion	1,173,279	758,202
Total liabilities	3,400,119	3,082,761
Commitments and contingencies	—	—
Series A redeemable preferred stock, $10.36 par value; 1,000,000 shares authorized; 6,720 shares issued and outstanding	69,619	69,619
Stockholders' equity:		
Common stock, $.01 par value; 39,000,000 shares authorized; 19,227,468 shares issued and outstanding	192,275	192,275
Additional paid-in capital	64,502,523	64,479,496
Accumulated deficit	(43,797,765)	(44,918,155)
Total stockholders' equity	20,897,033	19,753,616
Total liabilities and stockholders' equity	$ 24,366,771	$ 22,905,996

See accompanying notes.

PRECISION AUTO CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For The Years Ended June 30, 2016	2015
Revenues:		
Franchise royalties	$ 8,621,807	$ 8,521,571
Franchise development	32,550	72,333
Company-operated store retail sales	18,611,088	16,433,229
Other	331,500	363,013
Total revenues	27,596,945	25,390,146
Direct costs:		
Franchise support and other costs	4,370,792	5,772,240
Company-operated store retail costs	17,593,058	15,531,329
Total direct costs	21,963,850	21,303,569
General and administrative expenses	3,059,834	2,996,713
Depreciation and amortization expenses	753,697	686,449
Operating income	1,819,564	403,415
Interest expense	(47,192)	(38,485)
Interest income	3,521	4,523
Other income	122,967	121,949
Total other income	79,296	87,987
Income before income taxes	1,898,860	491,402
Provision (benefit) for income taxes	777,078	(155,414)
Net income	1,121,782	646,816
Preferred stock dividends	1,392	1,392
Net income applicable to common shareholders	$ 1,120,390	$ 645,424
Net income per common share—Basic	$ 0.06	$ 0.03
Net income per common share—Diluted	$ 0.06	$ 0.03
Weighted average common shares outstanding—Basic	19,227,468	19,227,468
Weighted average common shares outstanding—Diluted	19,234,104	19,227,468

See accompanying notes.

PRECISION AUTO CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2016	**2015**
Operating activities:		
Net income applicable to common shareholders	$ 1,120,390	$ 645,424
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	753,697	686,449
Stock based compensation	23,027	113,327
Gain on sale and disposal of assets	—	(43,798)
Bad debt expense	4,220	20,253
Deferred taxes.	709,838	311,360
Changes in assets and liabilities:		
Accounts and notes receivable.	12,570	38,042
Inventory, prepaid expenses, deposits and other.	(197,064)	11,776
Accounts payable and accrued liabilities	(102,973)	(438,950)
Due to related party	1,116	(976)
Deferred revenue and other	41,400	(26,644)
Net cash provided by operating activities	2,366,221	1,316,263
Investing activities:		
Purchases of property and equipment.	(1,794,180)	(483,022)
Purchase of company-operated stores.	(165,000)	(190,000)
Proceeds from sale of company store, land and building.	—	115,000
Net cash used in investing activities	(1,959,180)	(558,022)
Financing activities:		
Payment of preferred stock dividends.	(1,392)	(1,392)
Payment of notes payable	(480,793)	(505,802)
Net cash used in financing activities	(482,185)	(507,194)
Net change in cash and cash equivalents	(75,144)	251,047
Cash and cash equivalents at beginning of year.	3,197,401	2,946,354
Cash and cash equivalents at end of period.	$ 3,122,257	$3,197,401
Cash paid for the period for:		
Interest	$ 47,192	$ 38,485
Income taxes	$ 66,416	$ 72,357
Supplemental schedule of non-cash investing and financing activities:		
Property acquired under term loan	$ 650,000	$ 585,000
Company-operated stores acquired under notes payable	$ 210,000	$ 75,000

See accompanying notes.

PRECISION AUTO CARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at June 30, 2014	19,227,468	$192,275	$64,366,169	$(45,563,579)	$18,994,865
Stock based compensation	—	—	113,327	—	113,327
Net income	—	—	—	645,424	645,424
Balance at June 30, 2015	19,227,468	$192,275	$64,479,496	$(44,918,155)	$19,753,616
Stock based compensation	—	—	23,027	—	23,027
Net income	—	—	—	1,120,390	1,120,390
Balance at June 30, 2016	19,227,468	$192,275	$64,502,523	$(43,797,765)	$20,897,033

See accompanying notes.

Precision Auto Care, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1—Business Description and Financial Statement Presentation

Precision Auto Care, Inc. (the "Company") is headquartered in Leesburg, VA and is a franchisor of automotive maintenance service centers which provide specialized automotive care services, and fast oil change and lube services. The Company's subsidiary, Precision Franchising LLC (PFL), a Virginia limited liability company, is a franchisor of automotive service centers located in the United States and in certain foreign countries. In addition, PTAC Operating Centers, Inc. (PTACOC), a Virginia corporation and also a subsidiary of the Company, operates in the aggregate forty company-owned centers in Virginia (7), Maryland (12), Michigan (1), Texas (4), Ohio (3), Washington (3), Nevada (1), Kansas (1), Florida (1), Missouri (1), Minnesota (5) and Pennsylvania (1). Through its company and franchised centers, services are provided to automobile owners and focus on those high-frequency items required on a periodic basis to maintain a vehicle properly. The Company Centers and Franchised Centers operate under the Precision Tune Auto Care brand name.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on September 19, 2016.

Revenue Recognition

PFL enters into domestic Area Development agreements which grant the area developer the right to solicit prospective franchisees for the operation of Precision Tune Auto Care centers within a specific geographic region. Revenues from the sale of Area Development agreements are recognized when all material services or conditions related to the agreements are satisfied and to the extent no known issues involving collection exist.

PFL enters into international Master Franchise agreements which grant the master franchisee the right to sell franchises for the operation of Precision Tune Auto Care centers within a specific geographic region. Revenues from the sale of international Master Franchise agreements are recognized when all material services or conditions related to the agreements are satisfied and the Company has received any payments that are due.

Revenues from the sale of a franchise are recognized when all material services and conditions have been satisfied, generally at the opening of the franchised center and to the extent no known issues involving collection exist.

Domestic royalty revenues are recognized in the period earned and to the extent no known issues involving collection exist. In cases where revenues are not likely to be collected, the Company establishes reserves for such amounts. Such reserves are based upon our historical collection experience with the various franchisees taking into consideration the financial stability of such franchisees.

The Company's international royalty and development revenues are recognized when all material services or conditions related to the agreements are satisfied and payment is received.

Note 2—Summary of Significant Accounting Policies (Continued)

Product services in the form of equipment and other marketing materials related sales are recognized upon delivery to the franchisee.

Retail revenues are realized from providing maintenance and repair services, as well as from the parts that are provided as part of that service to the general public, are recognized when the service is performed.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid debt instruments with original maturities of six months or less. Cash balances may exceed FDIC limits.

Accounts Receivable

Trade receivables are stated at original amount less an estimate made for doubtful receivables based on a review of outstanding amounts at the end of the year. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables. Management recorded a reserve for doubtful accounts of approximately $19,000 and $17,000 as of June 30, 2016 and 2015, respectively. Bad debt expense, net of recoveries was approximately $4,000 and $20,000 for the years ended June 30, 2016 and 2015, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis for book purposes and accelerated methods for tax purposes over the estimated useful lives of the related assets. The estimated useful lives are as follows:

	Years
Furniture and fixtures	5 - 15
Buildings	20 - 30
Equipment	3 - 10
Leasehold improvements	3 - 7
Other items	3 - 7

Income Taxes

The Company recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets reflect the effects of tax losses and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Impairment of Long-Lived Assets

The Company evaluates the carrying amount of long-lived assets to be held and used, including goodwill and other intangible assets, when events and circumstances warrant such a review. The

Note 2—Summary of Significant Accounting Policies (Continued)

carrying amount of a long-lived asset is considered impaired when the estimated undiscounted cash flow from each asset is less than its carrying amount. In that event, the Company would record a loss equal to the amount by which the carrying amount exceeds the fair value of the long-lived asset.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, trade accounts receivable and notes receivable. The trade receivable balances are dispersed among a wide customer and franchisee base. The Company routinely assesses the financial strength of its franchises. The Company maintains reserves for credit losses, and such losses have been within management's expectations. The Company holds cash and cash equivalents primarily in one financial institution, which often exceed FDIC limits. Historically, the Company has not experienced any losses due to such concentration of credit risk.

Advertising Costs

The Company expenses all advertising costs as incurred. The Company incurred approximately $620,000 and $550,000 in advertising costs for the years ended June 30, 2016 and 2015, respectively.

Use of Estimates in the Preparation of Financial Statements

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

Goodwill

Goodwill represents the excess of cost of the acquired net assets over the net amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized, but rather evaluated for impairment at least annually. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. Impairment testing is performed in the first quarter of each fiscal year. Management concluded that the carrying value of goodwill at June 30, 2016 and 2015 was not impaired.

Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the period. Diluted EPS is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the period plus the dilutive effect of common stock equivalents. The number of shares exercisable related to stock options at June 30, 2016 and 2015 was 440,000 and 365,000, respectively. Only stock options with exercise prices lower than the average market price of the common shares were included in the diluted EPS calculation for fiscal year 2016 and 2015. For the years ended June 30, 2016 and 2015, respectively, 75,000 and 365,000 shares attributable to outstanding stock options were not included in the computation of diluted earnings per share because their inclusion would have been anti-dilutive.

Note 2—Summary of Significant Accounting Policies (Continued)

The following table sets forth the computation of basic and diluted earnings per share:

	For The Years Ended June 30, 2016	2015
Numerator:		
Net income	$ 1,121,782	$ 646,816
Preferred stock dividends	1,392	1,392
Net income applicable to common shareholders	$ 1,120,390	$ 645,424
Denominator:		
Denominator for basic EPS weighted—average-shares	19,227,468	19,227,468
Common stock equivalents—stock options	6,636	—
Denominator for diluted EPS weighted—average-shares	19,234,104	19,227,468
Basic earnings per share applicable to common shareholders	$ 0.06	$ 0.03
Diluted earnings per share applicable to common shareholders	$ 0.06	$ 0.03

Stock-based Compensation

The Company grants stock-based awards to employees of the Company pursuant to the 2015 Employee Stock Option and Restricted Stock Plan (the "Plan"). The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period (generally, the vesting life of the award). The Company measures stock-based compensation based on the fair value of the award determined using the Black-Scholes option pricing model. See Note 13, Stockholders' Equity, for further information regarding the Plan and the related measurement and recognition of stock-based compensation.

Note 3—Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance for the reporting of revenue from contracts with customers. This guidance provides guidelines a company will apply to determine the measurement of revenue and timing of when it is recognized. In August 2015, the FASB delayed the effective date of the guidance to fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted, but not before the original effective date for public entities. In May 2016, the FASB finalized its amendments to this guidance by providing narrow-scope improvements and practical expedients to implementation. The Company is currently evaluating the potential effect of the adoption of this guidance on our Consolidated Financial Statements.

In July 2015, the FASB issued new accounting guidance for the reporting of inventory. This guidance requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. This guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The Company has elected early adoption of this guidance during the fiscal year ended June 30, 2016. The adoption of this guidance did not have a material impact on our Consolidated Financial Statements.

Note 3—Recently Issued Accounting Guidance (Continued)

In September 2015, the FASB issued new accounting guidance that is intended to simplify the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments. This guidance requires an entity to present separately on the face of the income statement or disclose in the notes the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for fiscal years and for interim periods within those years beginning after December 15, 2015. The Company is currently evaluating the potential effect of the adoption of this guidance on our Consolidated Financial Statements.

In November 2015, the FASB issued new accounting guidance related to the balance sheet classification of deferred taxes. This guidance will require that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2016, with early adoption permitted. Upon adoption, the standard shall be applied retrospectively to all periods presented. The Company is currently evaluating the potential effect of the adoption of this guidance on our Consolidated Financial Statements.

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet. Most prominent among the amendments is the recognition of assets and liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new standard will be effective for the Company beginning July 1, 2019, with early adoption permitted. The Company anticipates this standard will have a material impact on our Consolidated Financial Statements, and we are currently evaluating its impact.

In March 2016, the FASB issued new accounting guidance intended to simplify various aspects related to accounting for share-based payments and their presentation in the financial statements. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of this guidance on our Consolidated Financial Statements.

Other recent authoritative guidance issued by the FASB (including technical corrections to the Accounting Standards Codification) did not, or are not expected to have a material effect on our Consolidated Financial Statements.

Note 4—Contingencies

The Company is subject to litigation that could have a material adverse impact on its liquidity (see Item VIII.—Section A. Business Development). Management believes a material adverse impact from these claims is remote as many have been outstanding for several years or more.

Note 5—Property and Equipment

The components of property and equipment are as follows:

	June 30, 2016	June 30, 2015
Land	$ 1,683,588	$ 682,010
Buildings	1,930,476	1,105,810
Furniture and fixtures	1,175,704	1,070,491
Equipment	3,693,476	3,253,093
Leasehold improvements	1,215,344	1,135,669
Software	338,921	338,921
Capital leases	47,240	47,240
Work in progress	102,352	17,687
	10,187,101	7,650,921
Accumulated depreciation	(4,356,442)	(3,602,745)
Property and equipment, net	$ 5,830,659	$ 4,048,176

Note 6—Company-owned stores

The Company acquired three centers during the year ended June 30, 2016 for an aggregate of approximately $375,000. Additionally, the Company acquired three centers during the year ended June 30, 2015 for an aggregate of approximately $190,000.

On June 7, 2016, the Company purchased the land and building of a franchisee located in Annapolis, MD for approximately $720,000 in cash as part of a settlement agreement. The Company is operating a company-owned store on the location.

On March 9, 2015, the Company purchased the land and building of the company-store located in Baltimore, MD for approximately $807,000. The Company had previously purchased the company-store in November 2010. At closing, the Company paid approximately $222,000 with the remaining balance, $585,000, financed with a five-year term loan with Capital One Bank.

On May 4, 2015, the Company sold a company-operated store located in Royal Oak, MI to a franchisee. The Company sold the business and assets for approximately $100,000 and recognized a gain of approximately $59,000 on the sale. The store will continue to operate as a Precision Tune Auto Care center. The Company will continue to hold a lease on the property and sublet the premises to the franchisee.

Note 7—Real Estate Transaction

On December 2, 2015, the Company purchased the land and building of an existing franchisee in Apple Valley, MN for approximately $1.1 million. At closing, the Company paid approximately $450,000 with the remaining balance, $650,000, financed with a five-year term loan at an interest rate of 4.5% with seller. The Company will continue to lease the property and building to the current franchisee. The monthly rental income will be recognized as other income.

Note 8—Income Taxes

The provision for income taxes consisted of the following items:

	Years Ended June 30, 2016	2015
Current tax expense:		
Federal	$ 26,000	$ 16,000
State	41,000	46,000
Foreign	—	(529,000)
Total current tax expense (benefit)	67,000	(467,000)
Deferred tax expense:		
Federal	612,000	274,000
State	98,000	38,000
Total deferred tax expense	710,000	312,000
Total income tax expense (benefit)	$777,000	$(155,000)

The effective tax rate differed from the statutory rate as follows:

	Years Ended June 30, 2016	2015
Statutory federal rate	34.0%	34.0%
State taxes	7.4	15.7
Foreign taxes	—	(107.7)
Nondeductible expenses	0.7	1.8
Stock compensation	0.4	27.1
Other	(1.6)	(2.4)
Effective tax rate	40.9%	(31.5)%

The significant differences between the effective rate and the statutory rate for the year ended June 30, 2015 relate to an estimate for certain foreign income taxes accrued in a previous year that management feels will not be payable. Additionally, the significant difference is also due to the impact of nondeductible stock compensation expense.

Deferred tax assets and liabilities reflect the effects of tax losses and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Note 8—Income Taxes (Continued)

Significant components of the Company's deferred tax liabilities and assets are as follows:

	June 30, 2016	June 30, 2015
Deferred tax assets:		
Net operating loss	$2,023,000	$2,809,000
Other	32,000	(45,000)
Net deferred taxes	$2,055,000	$2,764,000

As of June 30, 2016, the Company had net operating loss carryforwards for federal tax purposes of approximately $5.3 million, which expire from 2020 through 2029.

The Company regularly reviews the recoverability of its tax deferred assets and establishes a valuation allowance as deemed appropriate. There was no valuation allowance recorded as of June 30, 2016 and 2015, respectively.

Additionally, the Company reviews for uncertainty in income taxes that requires the application of a more likely than not threshold to the recognition and derecognition of uncertain tax positions.

The Company conducts business in the U.S. and has, in the past, conducted business in Canada and is therefore potentially subject to tax in those jurisdictions. As a result of its business activities, the Company files tax returns that are subject to examination by the respective federal, state, local and foreign tax authorities. For income tax returns filed by the Company, the Company is no longer subject to U.S. federal, state and local, or foreign income tax examination by tax authorities for years before June 30, 2013, although carryforward tax attributes that were generated prior to June 30, 2013 may still be adjusted upon examination by tax authorities if they either have been or will be utilized. The Company has not received any communications by taxing authorities that cause it to believe it is currently under examination by the tax authorities in any of the jurisdictions in which it operates. The total amount recorded as a liability for uncertain state tax positions as of June 30, 2016 and 2015 was approximately $75,000.

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision. There were no interest or penalties accrued related to uncertain tax positions as a component of the income tax provision as of June 30, 2016. We have identified no uncertain tax position for which it is reasonably possible that the total amount of liability for unrecognized tax benefits will significantly increase or decrease within 12 months, except for recurring accruals on existing uncertain tax positions.

Note 9—Debt

Line of Credit

In February 2016 and 2015, the Company renewed a $500,000 line of credit with Capital One Bank. The interest rate on this line of credit was based on a rate of LIBOR plus 2.75% payable monthly. The Company had not borrowed against this line of credit for the years ending June 30, 2016 and 2015. The maturity date of the current line of credit is February 28, 2017. Under this agreement, the Company must meet financial covenants relating to debt service coverage and a maximum leverage ratio. The Company had met all of the financial covenants as of June 30, 2016 and 2015.

Note 9—Debt (Continued)

Term loans

The Company purchased three automotive service centers during the year ended June 30, 2016 for approximately $375,000 in the aggregate. At the closings, the Company paid approximately $165,000 in the aggregate. The remaining balances, $210,000, are being financed with interest-free notes payables.

On March 9, 2015, the Company purchased the land and building of the company-store located in Baltimore, MD. The Company had previously purchased the company-store in November 2010. At closing, the Company paid approximately $222,000 in cash of the purchase price of approximately $807,000. The remaining balance, $585,000, was financed with a five-year term loan with Capital One Bank. The interest rate on the term loan is based on a rate of LIBOR plus 2.50% payable monthly. The monthly payment on the loan is approximately $6,200 with a balloon payment at the end of the term.

The Company has pledged first security interest on all Company assets as collateral for the line of credit as well as the loan for the land and building.

Notes Payable

Notes payable obligations consist of the following:

	June 30, 2016	June 30, 2015
Notes payable obligations	$1,493,839	$1,114,632
Less: current maturities	(320,560)	(356,430)
Long-term portion	$1,173,279	$ 758,202

The future notes payable obligations with maturities in excess of one year as of June 30, 2016 are as follows:

	Future Debt Maturities
2018	422,251
2019	204,110
2020	475,156
2021	71,762
	$1,173,279

Note 10—Lease Commitments

At June 30, 2016, the Company has lease commitments for office space, a training center, a number of service center locations and office equipment under operating leases. These leases expire between 2016 and 2029, with renewal options in certain leases. The monthly rent for the office space increases by 3% on February 1 of each year. The Company recognizes rent expense on a straight-line basis for certain leases which contain fixed escalations. Rent expense for office space and warehouse facilities of approximately $193,000 was included in operating expenses for the years ended June 30, 2016 and 2015, respectively. Rent expense for service center locations of approximately $1.8 million and

Note 10—Lease Commitments (Continued)

$1.7 million was recorded net of sublease income of $37,000 and $135,000 for the years ended June 30, 2016 and 2015, respectively.

Operating Leases

The future minimum lease payments and related sublease payments for operating leases with terms in excess of one year as of June 30, 2016 are as follows:

	Future Minimum Lease Payments	Sublease Income	Net
2017	$2,161,000	$ 38,000	$2,123,000
2018	1,997,000	39,000	1,958,000
2019	1,546,000	40,000	1,506,000
2020	1,032,000	31,000	1,001,000
2021	608,000	—	608,000
Thereafter	1,128,000	—	1,128,000
	$8,472,000	$148,000	$8,324,000

Note 11—Area Developer Agreement

On May 4, 2015, the Company and the area developer for the Minnesota market mutually agreed to terminate the area developer agreement for the Minnesota market for an amount of approximately $1.1 million. The Company bought back the area rights and approximately $1.1 million was expensed as a direct franchise support cost for the year ended June 30, 2015. The Company did not terminate any area developer agreements in the year ended June 30, 2016.

With no area developer for these markets, the Company will support the franchisees and develop new stores in that market and will keep 100 percent of the royalty stream instead of splitting those monies with an area developer.

Note 12—Related Party Transactions

Precision Tune Auto Care, Inc. (a subsidiary of the Company) provides certain support services to PTAC Marketing Fund, Inc. (“PMF”), the national advertising fund for Precision Tune Auto Care Centers, pursuant to a Management Agreement approved by the Board of Directors of PMF, which is comprised of franchisee and Company personnel. Precision Tune Auto Care, Inc. charged PMF approximately $528,000 for administrative and other expenses incurred on behalf of PMF, for the years ended June 30, 2016 and 2015, respectively. Based on the timing of receipts and disbursements, it is common for amounts to be due to and from Precision Tune Auto Care, Inc. and PMF. At June 30, 2016 and 2015, the amount due from PMF was approximately $44,000. This amount is included in accounts receivable. At June 30, 2016 and 2015, the amount due to PMF was approximately $160,000 and $159,000, respectively. This amount is included in due to related party.

Note 13—Stockholders' Equity

Voting Rights and Outstanding Shares

Each share of non-voting preferred stock is entitled to receive, when and as declared by the Board of Directors, cumulative preferential cash dividends at the rate of 2% of the liquidation preference of the Series A redeemable preferred stock, $10.36 per share, per annum payable quarterly in arrears in cash on the last day, or the next succeeding business day, of January, April, July, and October in each year, beginning January 31, 2003. There were no accrued dividends at June 30, 2016 and 2015, respectively.

Each share of common stock is entitled to one vote for each matter submitted to the shareholders for approval.

Common Stock Option Plan

Under the Plan, employees may be awarded various types of stock-based awards, including the award of stock options or restricted stock. Stock options are generally granted with an exercise price at least equal to the fair market value on the date of grant, expire no later than 10 years from the date of grant, and may vest over service periods determined by the Board of Directors of the Company. Through June 30, 2016, all options issued have been fully vested on the date of grant. The Company has reserved 500,000 shares of common stock for issuance under the Plan.

In addition to the Plan, the Company issued stock options under predecessor plans (the "Predecessor Plans"). All Predecessor Plans have expired and all options granted under Predecessor Plans expired unexercised prior to June 30, 2015.

The following is a summary of the Company's stock option activity under all plans:

	Shares Under Option	Weighted-Average Exercise Price
June 30, 2014	315,000	$0.62
Options granted	365,000	0.54
Options exercised	—	—
Options forfeited	315,000	0.62
June 30, 2015	365,000	$0.54
Options granted	75,000	0.56
Options exercised	—	—
Options forfeited	—	—
June 30, 2016	440,000	$0.54

The weighted-average remaining contractual term of the outstanding options was 8.82 years as of June 30, 2016.

The Company determines the fair value of granted stock options using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of certain assumed variables at the date of grant including the expected term, stock price volatility, the risk-free rate of return, and

Note 13—Stockholders' Equity (Continued)

the expected dividend yield. The Company used the following weighted-average assumptions to determine the fair value of options granted in 2016 and 2015.

	June 30,	
	2016	2015
Expected term (in years)	3.0	3.0
Risk-free interest rate	1.0%	1.0%
Volatility	106.8%	106.8%
Dividend yield	0.0%	0.0%

Expected Term

In the absence of sufficient stock option exercise history as a reasonable basis to estimate the expected life of outstanding awards, the Company has estimated the expected period over which the options will remain outstanding based upon the nature of and anticipated behavior of the employees to whom the awards have been granted.

Risk-Free Interest Rate

The risk-free rate for stock awards granted during the period is determined by using U.S. treasury rates of the same period as the expected term of each award.

Expected Volatility

The expected volatility is based on the historical volatility of the Company's stock measured historically over a period equal to that of the expected term.

Expected Dividend Yield

The dividend yield is based on actual dividends expected to be paid over the expected term of the awards. The Company has no plans to issue regular dividends.

Stock compensation expense recorded was approximately $23,000 and $113,000 for the years ended June 30, 2016 and 2015, respectively.

The intrinsic value of in-the-money options at June 30, 2016 and 2015 was $3,650 and $0, respectively.

Note 14—Employees' Savings Plan

The Company maintains a 401(k) plan under which the Company may contribute up to 25% of an employee's first 6% of compensation deferred under the plan. Employees become eligible after attaining the age of 21 and completing three months of employment with the Company. The employees may elect to contribute all of their annual compensation subject to limitations set forth in the Internal Revenue Code. Employees' contributions vest immediately. The employer matching contribution is discretionary and vests 20% after one year and in increments of 20% each additional year. The employer matching contributions for the years ended June 30, 2016 and 2015 were $25,000 and $28,000, respectively.

Note 15—Trading Tier

On October 19, 2015, the Company began trading on OTCQX under the symbol "PACI". Investors can find current financial disclosure and Real-Time Level 2 quotes for the Company on www.otcmarkets.com.

Note 16—Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through September 19, 2016 which is the date the consolidated financial statements were available to be issued.

Item XIII Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

The company has provided the following consolidated financial statements for the most recent fiscal year. These are the June 30, 2014 consolidated financial statements, and are published as “Annual Report—For the fiscal year ended June 30, 2014”.

Item XIV Beneficial Owners.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock
Louis M. Brown, Jr.(1)	5,040,884	25.63%
Avenir Corporation(2) 1775 Pennsylvania Ave, NW, Suite 650, Washington, DC 20006	2,799,672	14.24%
Alex J. Brown(3) 26 Highfield Court Cockeysville, MD 21030	2,570,000	13.07%
Jeff Brown(4) 15328 Sweetbay Street Woodbine, MD 21797	2,570,000	13.07%
Robert R. Falconi(5)	1,318,248	6.70%
Wendy Brown(6) 4801 Maury Lane Alexandria, VA 22304	1,000,000	5.08%

(1) Mr. Brown is Chairman of the Board of Directors. Includes 5,040,884 shares owned. There are no options exercisable within 60 days.

(2) Reflects the Company’s reasonable good faith effort to calculate beneficial ownership based on (i) the Company’s and transfer agent’s records, and (ii) communications with Avenir Corporation. Peter Keefe is the Executive Chairman of Avenir Corporation and he will vote the shares of approximately 2.8 million shares held by Avenir Corporation. Additionally, Mr. Keefe and his family own approximately 400,000 of the shares held by Avenir Corporation.

(3) Mr. Alex Brown is a Director of the Company and is a son of Louis M. Brown, Chairman of the Board. There are no options exercisable within 60 days.

(4) Mr. Jeff Brown is a son of Louis M. Brown, Chairman of the Board.

(5) Mr. Robert R. Falconi is President and CEO. Includes options to purchase 150,000 shares that are exercisable within 60 days.

(6) Mrs. Wendy Brown is the spouse of Louis M. Brown, Chairman of the Board.

Item XV The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:

1. **Investment Banker**
   NOT APPLICABLE

2. **Promoters**
   NOT APPLICABLE

3. **Counsel**

Gray Plant Mooty	Hunton & Williams
The Watergate—Suite 700	Riverfront Plaza, East Tower
600 New Hampshire Ave, NW	951 East Byrd Street
Washington, DC 20037	Richmond, VA 23219
Ph: (202) 295-2222	Ph: (804)788-8200

4. **Accountant or Auditor**
   Yount, Hyde, & Barbour, P.C.
   C. Scott Moulden, CPA
   PO Box 2560
   Winchester, VA 22604
   Ph: (540) 662-3417
   Email: smoulden@yhbcpa.com

   Responsibilities include but not limited to an audit of the consolidated balance sheets and related consolidated statements of operations, stockholders' equity, and cash flows.

5. **Public Relations Consultant(s)**
   NOT APPLICABLE

6. **Investor Relations Consultant**
   NOT APPLICABLE

7. **Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement—the information shall include the telephone number and e-mail address of each advisor.**
   NOT APPLICABLE

Item XVI Management's Discussion and Analysis.

A. ***Management Discussion and Analysis of Financial Condition and Results of Operations.***

1. For the fiscal years ended June 30, 2016 and 2015.

Introduction

The following discussion should be read in conjunction with the consolidated Financial Statements of the Company and related notes thereto included elsewhere herein.

Overview

The Company, through its subsidiaries and master franchisees, offers franchise opportunities for auto care centers throughout the world and owns and operates forty Company Centers throughout the United States as of June 30, 2016. Company revenues are derived from four primary areas: franchise development, royalties, company-operated retail stores and product sales. Franchise development revenues include sales of franchises and master franchise agreements. Royalty revenues are derived from royalty fees paid by individual franchisees and master franchisees to the Company based on qualified retail sales by franchisees. Retail revenues are realized from providing maintenance and repair services, as well as from the parts that are provided as part of that service to the general public. Product revenues are derived from the sale of automotive related supplies and equipment to individual franchisees.

Direct costs consist of fees paid to area developers for the sale of new franchises and for supporting franchisees on an ongoing basis, other costs associated with directly supporting the franchise system, and the cost of automotive related supplies. General and administrative expenses include all legal, accounting, general overhead, information technology and corporate staff expenses. Other income and expense items include interest income and expense which are included within the non-operating income/expense category on the Statement of Operations.

The Company's core auto care and franchising business continues to benefit from an improved focus on unit economics, offering certain product services to the franchisees such as equipment and other marketing related materials as well as field training programs. Additionally, the Company is seeking growth through acquisitions.

Critical Accounting Policies

The following is a summary of the Company's critical accounting policies. For a full description of these and other accounting policies, see Note 2 of the Notes to the Consolidated Financial Statements. These critical accounting policies require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements. Due to their nature, estimates involve judgments based on available information. Actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements. Therefore, understanding these policies is important in understanding the reported results of operations and the financial position of the Company.

Revenue Recognition

PFL enters into domestic Area Development agreements which grant the area developer the right to solicit prospective franchisees for the operation of Precision Tune Auto Care centers within a specific geographic region. Revenues from the sale of Area Development agreements are recognized when all material services or conditions related to the agreements are satisfied and to the extent no known issues involving collection exist.

PFL enters into international Master Franchise agreements which grant the master franchisee the right to sell franchises for the operation of Precision Tune Auto Care centers within a specific geographic region. Revenues from the sale of international Master Franchise agreements are recognized when all material services or conditions related to the agreements are satisfied and the Company has received any payments that are due.

Revenues from the sale of a franchise are recognized when all material services and conditions have been satisfied, generally at the opening of the franchised center and to the extent no known issues involving collection exist.

Domestic royalty revenues are recognized in the period earned and to the extent no known issues involving collection exist. In cases where revenues are not likely to be collected, the Company establishes reserves for such amounts. Such reserves are based upon our historical collection experience with the various franchisees taking into consideration the financial stability of such franchisees.

The Company's international royalty and development revenues are recognized when all material services or conditions related to the agreements are satisfied and payment is received.

Product services in the form of equipment and other marketing materials related sales are recognized upon delivery to the franchisee.

Retail revenues are realized from providing maintenance and repair services, as well as from the parts that are provided as part of that service to the general public, are recognized when the service is performed.

Goodwill

Goodwill represents the excess of cost of the acquired net assets over the net amounts assigned to assets acquired and liabilities assumed. Goodwill is not amortized, but rather evaluated for impairment at least annually. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. Impairment testing is performed in the first quarter of each fiscal year. Management concluded that the carrying value of goodwill at June 30, 2016 and 2015 was not impaired.

Income Taxes

The Company recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax liabilities and assets reflect the effects of tax losses and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company recognizes deferred tax assets if it is more likely than not that the asset will be realized in future years.

The Company regularly reviews the recoverability of its deferred tax assets and establishes a valuation allowance as deemed appropriate. In assessing the need for a valuation allowance against the deferred tax asset, management considers factors such as future reversals of existing taxable temporary differences, tax planning strategies and future taxable income exclusive of reversing temporary differences and carryforwards.

While the Company anticipates recognizing a full provision in future periods, the Company expects to pay only alternative minimum tax and state taxes until such time that our net operating loss carryforwards are fully utilized.

Results of Operations

Comparison of the year ended June 30, 2016 to the year ended June 30, 2015

Summary (in thousands)

	Twelve Months Ended June 30,			
	2016	%	2015	%
Automotive care franchising revenues	$ 8,655	31	$ 8,594	34
Company-operated store retail sales	18,611	68	16,433	65
Other	331	1	363	1
Total revenues	$27,597	100%	$25,390	100%
Franchise support and other costs	4,173	15	5,545	22
Company-operated store retail costs	17,593	64	15,531	61
Other	198	1	228	1
Total direct costs	21,964	80	21,304	84
General and administrative expenses	3,060	11	2,997	12
Depreciation and amortization expenses	754	3	686	2
Operating income	1,819	6	403	2
Other income, net	79	—	88	—
Income before income taxes	1,898	6	491	2
Provision (benefit) for income taxes	777	2	(155)	(1)
Net income	1,121	4	646	3
Preferred stock dividends	1	—	1	—
Net income applicable to common shareholders	$ 1,120	4%	$ 645	3%

Revenues. Total revenues for the year ended June 30, 2016 were $27.6 million, an increase of approximately $2.2 million or 9%, compared with total revenues of $25.4 million for the year ended June 30, 2015.

Automotive care franchising revenues for the year ended June 30, 2016 were approximately $8.6 million, which were consistent with the year ended June 30, 2015.

Company-operated store retail sales for the year ended June 30, 2016 were $18.6 million, an increase of approximately $2.2 million, or 13%, compared to $16.4 million for the year ended June 30, 2015. Approximately $2 million of the increase in the retail revenues was due to an increase in the number of company-operated stores during year ended June 30, 2016. There were forty company-operated stores generating revenues during the year ended June 30, 2016 compared to thirty-five company-operated stores during the year ended June 30, 2015. The balance of the increase of $200,000 was due to a 1.3% increase in same store sales during the year ended June 30, 2016.

Other revenues for the year ended June 30, 2016 were $331,000, a decrease of approximately $32,000, or 9%, compared to $363,000 for the year ended June 30, 2015. The decrease in other revenues was due to a decrease in revenues from rebate and training programs of $29,000 and a decrease of $3,000 from support fees associated with the point of sale system.

Direct Costs. Total direct costs for the year ended June 30, 2016 totaled $22.0 million, an increase of approximately $660,000 or 3%, compared with $21.3 million for the year ended June 30, 2015.

Automotive care franchising direct costs for the year ended June 30, 2016 totaled $4.1 million, a decrease of $1.4 million or 25%, compared with $5.5 million for the year ended June 30, 2015. During fiscal year 2015, the Company bought back the area developer rights to the Minnesota market for an amount in excess of $1 million. There was no comparable buy back expense for the year ended June 30, 2016. Additionally, the Company incurred expenses of approximately $143,000 for the bi-annual convention in Nashville, TN during the year ended June 30, 2015. There were no comparable convention expenses for the year ended June 30, 2016.

Company-operated store retail costs, which included an internal cost allocation of approximately $731,000 for the year ended June 30, 2016, were $17.6 million, an increase of approximately $2.1 million, or 13%, compared to $15.5 million for the year ended June 30, 2015, which included an internal cost allocation of approximately $523,000. The increase in retail costs was due to an increase in the number of company-operated stores. As previously stated, there were forty company-operated stores incurring costs during the year ended June 30, 2016 compared to thirty-five company-operated stores during the year ended June 30, 2015. Also, the Company incurred expenses of approximately $44,000 related to the bi-annual company store manager's meeting in Baltimore, MD during the year ended June 30, 2016. There were no comparable expenses in the year ended June 30, 2015.

Other direct costs for the year ended June 30, 2016 were approximately $198,000, a decrease of $30,000 or 13%, compared with $228,000 for the year ended June 30, 2015. The decrease in other direct costs was primarily due to a decrease in costs from the rebate and training programs.

General and administrative expenses for the year ended June 30, 2016 were approximately $3.0 million, which were consistent with the year ended June 30, 2015.

Operating Income. The Company recorded operating income for the year ended June 30, 2016 of approximately $1.8 million, an increase of $1.4 million, or 351%, compared with operating income of $403,000 for the year ended June 30, 2015. As previously discussed, there were multiple variables for the increase in operating income. The most significant variable was the expense incurred to purchase back the area developer rights to the Minnesota market for an amount in excess of $1 million during the year ended June 30, 2015. Additionally, the net increase in convention expenses of approximately $100,000 negatively impacting the operating income for the year ended June 30, 2015.

Other Income. The Company recorded other income of $79,000 for the year ended June 30, 2016, a decrease of approximately $9,000 or 10% compared to $88,000 in other income for the year ended June 30, 2015.

Income Taxes. The Company's effective tax rates for the years ended June 30, 2016 and 2015 were approximately 40.9% and (31.5%), respectively (see Note 8 of the Consolidated Financial Statements). The significant decrease in the effective rate for the year ended June 30, 2015 was related to an estimate for certain foreign income taxes accrued in a previous year that management feels will not be payable. Additionally, the significant decrease was also due to the impact of nondeductible stock compensation expense.

Net Income Applicable to Common Shareholders and Earnings Per Share. The Company recorded Net Income Applicable to Common Shareholders of $1.1 million, or $0.06 per share, for the year ended June 30, 2016 compared to Net Income Applicable to Common Shareholders of $645,000 or $0.03 per share, for the year ended June 30, 2015.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash at June 30, 2016 was $3.1 million. During the twelve months ended June 30, 2016, cash provided by operations was $2.4 million.

Cash used in investing activities for the twelve months ended June 30, 2016 was approximately $1.9 million. Cash used in investing activities during the twelve months ended June 30, 2016 consisted of the purchase of property and equipment of $1.8 million for use in company-store operations and $165,000 for the purchase of company-operated stores.

Cash used in financing activities for the twelve months ended June 30, 2016 was approximately $482,000. Cash used in financing activities during the period consisted of the payment of notes payable and dividends.

Management believes that the Company's current cash balance, cash generated from operations, and the $500,000 credit line with Capital One Bank will be sufficient to meet the Company's working capital needs, capital expenditures, and contractual obligations for fiscal year 2017. At June 30, 2016, the entire line was available.

Seasonality and Quarterly Fluctuations

Seasonal changes may impact various sectors of the Company's business differently and, accordingly, the Company's operations may be affected by seasonal trends in certain periods. In particular, severe weather in winter months can adversely affect the Company because such weather makes it difficult for consumers in affected parts of the country to travel to Precision Tune Auto Care centers.

B) ***Off-Balance Sheet Arrangements.***

The Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition.

Part E Issuance History

Item XVII List of securities offerings and shares issued for services in the past two years.

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer (1) within the two-year period ending on the last day of the issuer's most recent fiscal year and (2) since the last day of the issuer's most recent fiscal year. NOT APPLICABLE

Part F Exhibits

Item XVIII Material Contracts.

NOT APPLICABLE

Item XIX Articles of Incorporation and Bylaws.

These have been posted by the Company at www.otcmarkets.com, Reports.

Item XX Purchase of Equity Securities by the Issuer and Affiliated Purchasers.

NOT APPLICABLE

Item XXI Issuer's Certifications.

CHIEF EXECUTIVE OFFICER CERTIFICATION:

I, Robert R. Falconi, Chief Executive Officer, certify that:

1. I have reviewed this initial disclosure statement of Precision Auto Care, Inc.

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

IN WITNESS WHEREOF, the undersigned has executed this Certification as of this 16th of September, 2016.

Certified By: /s/ ROBERT R. FALCONI

Robert R. Falconi
Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION:

I, Mark P. Francis, Chief Financial Officer, certify that:

1. I have reviewed this initial disclosure statement of Precision Auto Care, Inc.

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

IN WITNESS WHEREOF, the undersigned has executed this Certification as of this 16th of September, 2016.

Certified By: /s/ MARK P. FRANCIS

Mark P. Francis
Chief Financial Officer

[A signed original of this written certification will be retained by Precision Auto Care, Inc. and furnished to the OTC Markets Group, Inc or its staff upon request.]