PRECISION AUTO CARE, INC.

A Virginia Corporation

Corporate Information

Financial and shareholder information through fiscal year ending June 30, 2012

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 22,723,995 Common Stock shares outstanding as of 06/30/2012. Our CUSIP No. is 74018R105 and our Trading Symbol is PACI.PK.

Item V Description of the security.

A. **Par or Stated Value for each class of outstanding securities.**
Preferred Class A Stock—Par Value $0.01
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	June 30, 2012	June 30, 2011
(ii)	Authorized—Common	39,000,000	39,000,000
(iii)	Issued and Outstanding	22,723,995	22,723,995
(iv)	Freely tradable shares (public float)	6,708,785	6,691,890
(v)	Number of beneficial shareholders	3	2
(vi)	Number of Shareholders of record	177	174

(i)	Period End Date	June 30, 2012	June 30, 2011
(ii)	Authorized—Preferred	1,000,000	1,000,000
(iii)	Issued and Outstanding	6,720	6,720
(iv)	Freely tradable shares (public float)	—	—
(v)	Number of beneficial shareholders	—	—
(vi)	Number of Shareholders of record	2	2

Part C Business Information

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.

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, Precision Tune 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. Within the last three years, the Company has made a strategic decision to expand the service offering in select Centers to include the sale of tires and tire-related services. In addition, the Company has made the strategic decision to purchase, own, and operate Company Centers in an effort to grow top and bottom-line results.

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.

   On January 12, 2011, the Company repurchased 6,449,757 shares of common stock for $0.40 per share and 4,507 shares of preferred stock for $10.36 held by Desarrollo Integrado, S.A. de C.V., or a total of approximately $2.6 million and retired the stock.

The $2.5 million in excess of the purchase price over the par value of the stock was charged to Additional Paid-in Capital.

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. In an effort to save costs, the Company filed a Form 15 with the SEC on February 22, 2008, and thereby avoided the continuing requirement to file periodic reports with the SEC. As a result shares of the Company are no longer traded on the OTC Bulletin Board. Shares of the Company are now traded only on 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 claims, controversies, and litigation in the ordinary course of business, including contract, franchise, and employment-related matters. In the course of enforcing its rights under existing and former 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 franchise agreements. The Company was a party to the following material law suits or was aware of the following material claims:

Active Claims

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

PTAC filed an answer on August 24, 2012. There has not yet been a scheduling conference for this matter.

Motorscope, Inc. v. Precision Tune, Inc., Precision Tune Auto Care, Inc., and Precision Franchising LLC, United States District Court, District of Minnesota, Case No. 121296 JEN/AJB, Filed May 30, 2012.

On April 17, 2012, Precision Franchising LLC, (PFL) sent to Motorscope, Inc. (Motorscope) two notices of termination: one to terminate Motorscope's rights as an area developer under the Precision Tune Area Sub-Franchise Agreement (the "Area Agreement") for Area 030, (the "Area"), which includes all of Minnesota and parts of South Dakota. PFL also sent a notice to terminate Motorscope's rights under a Precision Tune Auto Care Franchise Agreement (the "Columbia Heights Agreement") for the operation of a Precision Tune Auto Care center in Columbia Heights, Minnesota. PFL sent these notices of termination for fundamental breaches of the Area Agreement and the Columbia Heights Agreement.

Nevertheless, PFL made good-faith efforts to resolve its concerns relating to Motorscope's breaches, and to that end, made Motorscope an offer to execute new, current-format agreements for the Area and Columbia Heights Agreements. Instead, Motorscope filed the instant action against PFL.

On July 27, 2012, PFL issued two additional notices of termination for the two remaining Precision Tune Auto Care Franchise Agreements held by Motorscope (one for a Precision Tune Auto Care center in Eagan, Minnesota (the "Eagan Agreement")) and one for a Precision Tune Auto Care center in Burnsville, Minnesota (the "Burnsville Agreement")); and PFL has amended its pleadings to seek declaratory judgment to terminate these franchise agreements, as well as the Area Agreement and the Columbia Heights Agreement, effectively removing Motorscope from the Precision Tune Auto Care system.

Motorscope is seeking to preserve its rights under the Area Agreement, the Columbia Heights Agreement, the Eagan Agreement, and the Burnsville Agreement, as well as unspecified damages and costs.

The parties are currently engaged in discovery.

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. Miracle Partners, Inc. is currently inactive and has no assets.

The amount in controversy is approximately $1.3 million, the amount of the confessed judgment. The company's 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 PACI's acquisition of Miracle Partners, Inc. in 1997 for all amounts covered by the judgment.

Resolved Claims

Nina Coker v. Precision Auto Care, Inc. & PTAC Operating Centers, Inc., Court of Common Pleas, Montgomery County, Ohio, Civil Division, Case No. 2011 CV 07038, Filed September 29, 2011.

This case stems from a claim made by a retail customer, Ms. Nina Coker, at a Precision Tune Auto Care center owned and operated by PTAC Operating Centers, Inc. (PTAC-OC), an affiliate of Precision Auto Care, Inc. (PACI). PACI is the parent of Precision Franchising LLC, the franchisor of the Precision Tune Auto Care system.

On or about May 11, 2011, Ms. Nina Coker alleges she brought a 1969 Cadillac Deville (the "Cadillac") to the Precision Tune Auto Care center (the "Dayton Center") located at 5939 Brandt Pike, Dayton, Ohio and requested an inspection of the vehicle. PTAC Operating Centers, Inc. (PTAC-OC), an affiliate of Precision Auto Care, Inc. (PACI), owns and operates the Dayton Center.

Based upon the Dayton Center's report that the Cadillac was in "good shape," Ms. Coker purchased the Cadillac for an alleged $10,300. Subsequently, Ms. Coker took the Cadillac to another repair facility, which told her the Cadillac was not in good shape.

The parties settled this matter on July 30, 2012 for a lump-sum payment of $15,000, of which PTAC-OC's insurance carrier paid $7,500 and PTAC-OC paid $7,500.

Viviana Salazar Sherman, et. al., v. Precision Tune Auto Care, Inc., United States District Court, Southern District of California, Case No. 12CV0881 WQHJMA, Filed April 10, 2012.

On or about April 9, 2012, Ms. Viviana Salazar Sherman ("Ms. Sherman"), an individual residing in San Diego, California, alleges she received spam text message advertisements from Precision Tune Auto Care, Inc. (PTAC) on her cellular telephone in violation of prohibitions set forth in the Telephone Consumer Protection Act. Ms. Sherman brought this action on behalf of herself and other similarly situated plaintiffs.

Ms. Sherman dismissed PTAC, without prejudice, from this Matter on August 13, 2012.

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 claims 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.

* * * * * *

The Company does not believe 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, 2012, the System was comprised of thirty-four Company Centers, owned and operated by PTAC Operating Centers, Inc. (POC), a Virginia corporation and subsidiary of the Company. POC employed one hundred and twenty-nine full-time employees and fourteen part-time employees. Also as of June 30, 2012, Precision Franchising LLC (PFL), a Virginia limited liability company and also a subsidiary of the Company, was the franchisor for 222 domestic Franchised

Centers, and 80 international Franchised Centers. A third subsidiary of the Company, Precision Tune Auto Care, Inc., a Virginia corporation, employed twenty-five full-time employees and three part-time employees 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 lifts 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 $120,000 to $226,000.

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 training 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. 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, 2012, 6 area developers and their affiliates had an ownership interest in approximately 29% of the total number of domestic Franchised Centers.

During the last five years, PFL has aggressively enforced its agreements with area developers, and has either terminated or repurchased rights to areas that were previously developed and supported by area developers. These areas have ranged over a wide geography, including Michigan, Colorado, Virginia, Florida, Missouri, Arizona, Delaware, Nevada, Maryland, Texas, Seattle, Southern California, South Carolina and Pennsylvania. 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, United Arab Emirates, Saudi Arabia, Portugal, Qatar, Kuwait, Bahrain, the Republic of Georgia, Armenia, Azerbaijan, Nigeria, and Ghana. 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. Over the preceding twelve month period, the number of domestic Centers in the System has dropped from 260 centers to 256 centers. 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) sharply reduced access to capital due to ongoing strains in the credit markets, especially the credit markets 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, 2012, the Company's directors, executive officers, and shareholders beneficially owning more than 5% of its outstanding common stock, in the aggregate, beneficially owned approximately 66% 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 initial 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. **if the issuer is considered a "shell company" pursuant to Securities Act Rule 405;**
   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 state and federal 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 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, through its subsidiaries, employs one hundred and seventy-one employees, of which one hundred and fifty-four 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, 2012, these services were provided to the public in a retail environment at thirty-four 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, 2012, these services were provided at 302 domestic and international Precision Tune Auto Care centers owned and operated by franchisees.

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 licenses. 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. 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, 2012, 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, United Arab Emirates, Saudi Arabia, Portugal, Qatar, Kuwait, Bahrain, the Republic of Georgia, Armenia, Azerbaijan, Nigeria, and Ghana.

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 direct competitors include: Sears Auto Center, 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 February 1976	1,214,325 October 26, 1982	Vehicle tune-up services, in Class 37.
PRECISION TUNE & DESIGN December 1977	1,214,326 October 26, 1982	Vehicle tune-up services, in Class 37.
PRECISION TUNE August 1982	1,259,155 November 29, 1983	Spark plugs, in Class 7.
PRECISION TUNE February 1976	1,497,068 July 19, 1988	Vehicle tune-up and lubrication services, in Class 37.
PRECISION TUNE AUTO CARE & DESIGN August 1996	2,125,311 December 30, 1997	Auto repair, maintenance, and lubrication services, in Class 37.
PRECISION LUBE EXPRESS August 1996	2,239,299 April 13, 1999	Vehicle oil change 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.

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 15,700 square feet of leased office space in Leesburg, Virginia pursuant to a lease that expires in 2014. 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, 2012:

Name	Position	Share Ownership/Percentage
Louis M. Brown, Jr. 748 Miller Drive, SE Leesburg, VA 20175	Chairman	39.64%
Robert R. Falconi 748 Miller Drive, SE Leesburg, VA 20175	President/CEO	4.92%
Woodley A. Allen 2831 Rifle Ridge Road Oakton, VA 22124	Director	Less Than 1% Common
Bassam N. Ibrahim PO BOX 1404 Alexandria, VA 22314	Director	Less Than 1% Common
John D. Sanders, Ph.D. 9209 Marina Parkway Myrtle Beach, SC 29572	Director	Less Than 1% Common
Peter C. Keefe 1775 Pennsylvania Avenue, NW Suite 650 Washington, DC 20006	Director	Less Than 1% Common
Mark P. Francis 748 Miller Drive, SE Leesburg, VA 20175	Chief Financial Officer	None
Frederick F. Simmons 748 Miller Drive, SE Leesburg, VA 20175	Sr. VP General Counsel	1.55%
John T. Wiegand 748 Miller Drive, SE Leesburg, VA 20175	Sr. VP—Operations	Less Than 1% Common
Kevin Bates 748 Miller Drive, SE Leesburg, VA 20175	Sr. VP—Marketing	Less Than 1% Common
Joel Burrows 748 Miller Drive, SE Leesburg, VA 20175	VP—Training & Research	Less Than 1% Common

Name	Position	Share Ownership/Percentage
Glyn D. Massingill . . . . 748 Miller Drive, SE Leesburg, VA 20175	VP—Franchise Services	Less Than 1% Common
Lee Oppenheim . . . . 748 Miller Drive, SE Leesburg, VA 20175	VP—Business Development	Less Than 1% Common
William S. Alewine . . . . 748 Miller Drive, SE Leesburg, VA 20175	VP—Operations	None

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 is Vice Chairman of Micros Systems, Inc. since April 2003 and was Chairman of the Board from January 1987 to April 2003.

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 acting Chief Financial Officer of BIA Financial Network, Chantilly, VA (merchant banking and investment firm) since February 2004.

Bassam N. Ibrahim is a shareholder in the law firm of Buchanan Ingersoll & Rooney PC, which merged with Burns, Doane, Swecker & Mathis, where he was a partner since 1996. Mr. Ibrahim is Chairman of the Nominating Committee and serves on the Organization and Compensation Committee.

Peter C. Keefe, has been President of Avenir Corporation since January 2000, 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.

John D. Sanders Ph.D. serves as a business consultant to emerging technology companies. Dr. Sanders has been a Registered Representative of Wachtel & Co., Inc., a Washington D.C.-based stock brokerage firm, since 1968. Dr. Sanders serves on the Audit and Nominating Committees.

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.

Kevin Bates became Senior Vice President of Marketing in August 2004. From October 1999 to August 2004, Mr. Bates was Vice President—Marketing and Advertising. From January 1998 until October 1999, he was our Director of Field Operations.

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.

Glyn D. Massingill became Vice President—Franchise Services in January 2000. From September 1990 through December 1999, Mr. Massingill was Vice President and General Manager of Precision Automotive Components Manufacturing and Distribution (PAC), a division of the Company.

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.

Sean Alewine became Vice President—Company Store Operations in October 2010. From October 2009 through September 2010, Mr. Alewine was the General Manager of the Maryland company-operated retail stores. Mr. Alewine has over nineteen years of operational experience acquired through owning and operating businesses within four different franchise systems. His experience also includes nineteen years of ownership in multiple Precision Tune Auto Care centers in Maryland & Washington, DC.

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 relationships existing among and between the issuer's officers, directors and shareholders.

For the year ended June 30, 2011, Peter Keefe is the President of Avenir Corporation. Avenir, as the investment advisor to the Arthur Kellar Charitable Lead Annuity Trust (CLAT), voted the shares owned by the CLAT, which were 10,897,210. Additionally, Peter Keefe will vote the shares of approximately 2.9 million held by Avenir Corporation. For the year ended June 30, 2012, Peter Keefe will vote the shares of approximately 2.8 million held by Avenir Corporation.

During the fiscal year ended June 30, 2012, the shares associated with the CLAT were transferred to Bessemer Trust Company, NA. The Trust will vote the shares of 3,472,210 held by the CLAT.

D. ***Disclosure of Related Party Transactions or Conflicts of Interest*****. Describe any related party transactions or conflicts of interests. Provide a description of circumstances, parties involved and mitigating factors for any related party transactions or executive officer or director with competing professional or personal interests.**

The Company manages the operation of 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. The Company charged PMF $625,000 for administrative and other expenses incurred on behalf of PMF, for the years ended June 30, 2012 and 2011, respectively. Based on the timing of receipts and disbursements, it is common for amounts to be due to and from the Company and PMF. At June 30, 2012 and 2011, the amount due from PMF was approximately $104,000 and $52,000, respectively. This amount is included in accounts receivable. At June 30, 2012 and 2011, the amount due to PMF was $180,525 and $160,021, respectively. This amount is included in due to related party.

Bassam N. Ibrahim, a director of the Company, is a shareholder in Buchanan Ingersoll & Rooney PC, an Alexandria, Virginia law firm that performs legal services for the Company related to intellectual property protection. Fees paid in the amount of approximately $22,000 and $38,000 to the firm by the Company in the fiscal years ended June 30, 2012 and 2011, respectively, did not exceed five percent of the firm's gross revenues.

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 and
Stockholders of Precision Auto Care, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Precision Auto Care, Inc. (the Company) and subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Precision Auto Care, Inc. and subsidiaries as of June 30, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
September 17, 2012

PRECISION AUTO CARE, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,510,666	$ 1,206,375
Restricted cash	28,613	64,423
Accounts receivable, net of allowance of $73,362 and $72,185, respectively	469,674	518,653
Notes receivable, net of allowance of $0 and $69,404, respectively	134,714	36,337
Deferred tax asset	695,629	683,233
Other assets	1,010,077	1,175,137
Total current assets	3,849,373	3,684,158
Property and equipment, net	3,759,208	2,735,928
Goodwill	10,808,795	10,832,853
Notes receivable, net of allowance of $16,531 and $26,531, respectively	315,771	100,357
Deferred tax asset	3,481,783	3,762,004
Deposits and other	168,036	131,601
Total assets	$ 22,382,966	$ 21,246,901
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line-of-credit	$ —	$ 806,500
Notes payable and capital lease obligation-current	488,482	18,479
Accounts payable and accrued liabilities	662,036	719,177
Taxes payable	651,882	661,815
Accrued commission payable	151,326	177,585
Accrued salaries and related expenses	470,919	515,323
Due to related party	180,525	160,021
Deferred revenue	31,903	14,610
Total current liabilities	2,637,073	3,073,510
Notes payable and capital lease obligation, net of current portion	1,214,686	42,109
Total liabilities	3,851,759	3,115,619
Commitments and contingencies	—	—
Series A redeemable preferred stock, $.01 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; 22,723,995 shares issued and outstanding	227,240	227,240
Additional paid-in capital	65,359,015	65,359,015
Accumulated deficit	(47,124,667)	(47,524,592)
Total stockholders' equity	18,461,588	18,061,663
Total liabilities and stockholders' equity	$ 22,382,966	$ 21,246,901

See accompanying notes.

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

	For The Years Ended June 30, 2012	2011
Revenues:		
Franchise royalties	$10,064,266	$ 9,505,775
Franchise development	103,333	299,000
Company-operated store retail sales	16,142,564	10,848,339
Other	410,716	375,187
Total revenues	26,720,879	21,028,301
Direct costs:		
Franchise support costs	6,112,186	6,446,367
Company-operated store retail costs	16,087,229	10,218,005
Total direct costs	22,199,415	16,664,372
General and administrative expenses	3,196,864	3,034,950
Depreciation and amortization expenses	588,885	371,541
Operating income	735,715	957,438
Interest expense	(50,852)	(9,713)
Interest income	1,931	16,166
Other income	72,887	54,238
Total other income, net	23,966	60,691
Income before income taxes	759,681	1,018,129
Provision for income taxes	358,364	446,018
Net income	401,317	572,111
Preferred stock dividends	1,392	1,859
Net income applicable to common shareholders	$ 399,925	$ 570,252
Net income per common share—Basic	$ 0.02	$ 0.02
Net income per common share—Diluted	$ 0.02	$ 0.02
Weighted average common shares outstanding—Basic	22,723,995	26,025,348
Weighted average common shares outstanding—Diluted	22,723,995	26,025,348

See accompanying notes.

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

	For The Years Ended June 30, 2012	2011
Operating activities:		
Net income applicable to common shareholders	$ 399,925	$ 570,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	588,885	371,541
Loss on sale of assets	7,315	—
Bad debt expense	1,369	6,589
Deferred taxes	267,825	399,904
Changes in assets and liabilities:		
Accounts and notes receivable	(17,890)	(24,933)
Inventory, prepaid expenses, deposits and other	106,183	(503,076)
Accounts payable and accrued liabilities	(136,345)	351,080
Due to related party	20,504	8,134
Deferred revenue and other	17,292	(43,010)
Net cash provided by operating activities	1,255,063	1,136,481
Investing activities:		
Purchases of property and equipment	(1,315,386)	(1,179,639)
Purchase of company-operated stores	(199,500)	(909,860)
Net cash used in investing activities	(1,514,886)	(2,089,499)
Financing activities:		
Payment of preferred stock dividends	(1,392)	(2,093)
Decrease in restricted cash	35,810	33,055
Proceeds from exercise of stock options	—	59,400
Proceeds from bank facility	693,500	806,500
Repurchase of common stock	—	(2,579,904)
Repurchase of preferred stock	—	(46,693)
Repayment of notes payable and capital lease	(163,804)	(112,165)
Net cash provided by (used in) financing activities	564,114	(1,841,900)
Net change in cash and cash equivalents	304,291	(2,794,918)
Cash and cash equivalents at beginning of year	1,206,375	4,001,293
Cash and cash equivalents at end of period	$ 1,510,666	$ 1,206,375
Cash paid for the period for:		
Interest	$ 50,852	$ 9,713
Income taxes	$ 55,491	$ 25,335
Supplemental schedule of non cash investing and financing activities:		
Company-operated store acquired under notes payable	$ 50,000	$ —
Line-of-credit converted to two term loans	$ 1,500,000	$ —
Property and equipment acquired under term loan	$ 256,400	$ —
Sale of company-operated store under notes receivable	$ 247,000	$ —
Company-operated stores acquired under notes payable	$ —	$ 40,000
Property and equipment acquired under notes payable	$ —	$ 22,000
Property and equipment acquired under capital lease	$ —	$ 47,000

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, 2010	28,993,752	$289,938	$67,816,821	$(48,094,844)	$20,011,915
Repurchase of common stock	(6,449,757)	(64,498)	(2,515,406)	—	(2,579,904)
Exercise of stock options	180,000	1,800	57,600	—	59,400
Net income	—	—	—	570,252	570,252
Balance at June 30, 2011	22,723,995	$227,240	$65,359,015	$(47,524,592)	$18,061,663
Net income	—	—	—	399,925	399,925
Balance at June 30, 2012	22,723,995	$227,240	$65,359,015	$(47,124,667)	$18,461,588

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 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 17, 2012.

Revenue Recognition

The Company enters into domestic Area Development agreements and international Master License agreements which grant the area developer and master licensor, respectively, the right to sell, on the Company's behalf, Precision Tune Auto Care franchises within a specific geographic region. Revenue from the sale of Area Development agreements and international Master License agreements is recognized as all material services or conditions related to the agreements are satisfied.

Revenue from the sale of a franchise is recognized when all material services and conditions have been satisfied, generally at the opening of the franchised center.

The Company's royalty revenue is recognized in the period earned and to the extent no known issues involving collection exist. In the case when 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.

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

Note 2—Summary of Significant Accounting Policies (Continued)

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 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 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 insured limits. Historically, the Company has not experienced any losses due to such concentration of credit risk.

Fair Value Measurement

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or

Note 2—Summary of Significant Accounting Policies (Continued)

liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1—Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2012 and 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Certificates of Deposit

Certificates of deposit are carried at cost, which approximates fair value. All certificates of deposit are valued using Level 2 inputs (see Note 6 of the Consolidated Financial Statements).

The carrying amounts of the Company's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Advertising Costs

The Company expenses all advertising costs as incurred. The Company incurred $852,000 and $509,000 in advertising costs for the years ended June 30, 2012 and 2011, 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

Note 2—Summary of Significant Accounting Policies (Continued)

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 and Intangible Assets

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, 2012 and 2011was 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 outstanding related to stock options at June 30, 2012 and 2011 was 1,036,250 and 1,061,250, 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 2012 and 2011. For the years ended June 30, 2012 and 2011, respectively, 1,036,250 and 1,061,250 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.

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

	For The Years Ended June 30,	
	2012	2011
Numerator:		
Net income	$ 401,317	$ 572,111
Preferred stock dividends	1,392	1,859
Net income applicable to common shareholders	$ 399,925	$ 570,252
Denominator:		
Denominator for basic EPS weighted-average-shares	22,723,995	26,025,348
Common stock equivalents-stock options	—	—
Denominator for diluted EPS weighted-average-shares	22,723,995	26,025,348
Basic earnings per share applicable to common shareholders	$ 0.02	$ 0.02
Diluted earnings per share applicable to common shareholders	$ 0.02	$ 0.02

Note 3—Recently Issued Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-08, "Intangible—Goodwill and Other (Topic 350)—Testing Goodwill for Impairment." The amendments in this ASU permit an entity to first assess qualitative factors related to goodwill to determine whether it

Note 3—Recently Issued Accounting Standards (Continued)

is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Under the amendments in this ASU, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The amendments in this ASU are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. The Company early adopted ASU 2011-08 and it did not have a material impact on our consolidated financial statements.

Note 4—Property and Equipment

The components of property and equipment are as follows:

	June 30,	
	2012	2011
Land	$ 190,900	$ 190,900
Buildings	336,555	336,555
Furniture and fixtures	904,103	527,997
Equipment	2,815,754	1,973,528
Leasehold improvements	807,521	458,859
Software	326,921	299,221
Capital leases	47,240	47,240
Work in progress	37,320	57,441
	5,466,314	3,891,741
Accumulated depreciation	(1,707,106)	(1,155,813)
Property and equipment, net	$ 3,759,208	$ 2,735,928

Note 5—Company-owned stores

The Company purchased four and ten centers during the years ended June 30, 2012 and 2011, for approximately $250,000 and $910,000, respectively.

On June 1, 2012, the Company sold a company-owned store to the previous owner for approximately $250,000.

Note 6—Fair Value Measurements

Certificates of deposit are carried at cost, which approximates fair value on a recurring basis. All certificates of deposit are valued using Level 2 inputs. The net fair value at June 30, 2012 and 2011 was approximately $29,000 and $64,000, respectively.

Note 7—Income Taxes

The provision for income taxes consisted of the following items:

	Years Ended June 30, 2012	Years Ended June 30, 2011
Current tax expense:		
Federal	$ 2,000	$ 9,000
State	38,000	37,000
Foreign	50,000	—
Total current tax expense	90,000	46,000
Deferred tax expense :		
Federal	219,000	327,000
State	49,000	73,000
Total deferred tax expense	268,000	400,000
Total income tax expense	$358,000	$446,000

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

	Years Ended June 30, 2012	Years Ended June 30, 2011
Statutory federal rate	34.0%	34.0%
State taxes	7.3	7.3
Foreign taxes	4.3	0.0
Nondeductible expenses	1.5	0.9
Other	(0.1)	1.5
Effective tax rate	47.0%	43.7%

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.

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

	June 30, 2012	June 30, 2011
Deferred tax assets:		
Net operating loss	$4,048,000	$4,254,000
Other	129,000	191,000
Net deferred taxes	$4,177,000	$4,445,000

Note 7—Income Taxes (Continued)

As of June 30, 2012, the Company had net operating loss carryforwards for federal tax purposes of approximately $10.5 million, which expire from 2019 through 2028.

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, 2012 and 2011, respectively.

We adopted guidance 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 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, 2008, although carryforward tax attributes that were generated prior to June 30, 2008 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, 2012 and 2011 were approximately $75,000 and $74,000, respectively.

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. 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 8—Related Party Transaction and Stock Purchase Agreement

On November 14, 2011, the Company and Louis M. Brown, Jr., the Company's Chairman, entered into a Stock Purchase Agreement (the "Agreement") with the Kellar Family Charitable Lead Annuity Trust (the "CLAT") for the purchase and sale of 10,897,210 shares of common stock (the "Kellar Stock") of the Company. Under the Agreement, Mr. Brown purchased 7,425,000 shares of the Kellar Stock at $0.43 per share; and the Company gave to the CLAT a put option for the remaining 3,472,210 shares (the "Put Shares).

Under the terms of the put option, the Company has a conditional obligation to purchase the Put Shares at the price of $0.293 per share. The put option is exercisable after January 13, 2014 and before April 14, 2014. However, the Company will not be required to purchase the Put Shares if the transaction is not in compliance with the requirements of Section 13.1-653.C of the Virginia Stock Corporation Act. The Company believes the put option represents a substantial discount over the intrinsic value of the Company's stock.

The salient requirements of Section 13.1-653.C require that prior to making a distribution (whether for dividends or for the repurchase of stock), the board of directors must establish that, after making any proposed distribution, the Company will be able to: (1) pay its debts as they become due in the

Note 8—Related Party Transaction and Stock Purchase Agreement (Continued)

usual course of business, and (2) maintain total assets not less than the sum of its total liabilities plus any amount necessary to satisfy preferential rights (i.e., preferred shares).

As a result of Mr. Brown's purchase, he became the Company's single largest shareholder of the Company.

Note 9—Stock repurchase

On January 12, 2011, the Company repurchased 6,449,757 shares of common stock for $0.40 per share and 4,507 shares of preferred stock for $10.36 held by Desarrollo Integrado, S.A. de C.V., or a total of approximately $2.6 million and retired the stock. The $2.5 million in excess of the purchase price over the par value of the stock was charged to Additional Paid-in Capital.

Note 10—Master License Consent Agreement

On December 23, 2011, the Company signed a consent agreement with Precision—Sociedade Gestora de Franchising S.A. (Precision Iberia) and ECS—Sociedade de Capital de Risco, S.A. (the Fund). Under the terms of the agreement, the Company consented to the sale of the stock of Precision Iberia, the master franchisee for Portugal, from the current ownership to the Fund. In exchange for providing the consent to this transaction, the Company received a net payment of $450,000. The previous owners of Precision Iberia had not paid royalties for approximately 3 years and owed the Company close to $1 million. The Company accepted payment of $500K in full payment of these royalties less $50,000 in withholding taxes due to the Portuguese government. Additionally, per the agreement, the new Master Franchisee will pay royalties as required on a going forward basis.

Note 11—Debt

Line of Credit

On February 28, 2012, the Company executed a $500,000 line of credit with Capital One Bank. The interest rate on this line of credit is based on a rate of LIBOR plus 2.75% payable monthly. The Company has pledged first security interest on all Company assets including all accounts receivable as collateral. The Company has not borrowed against this line of credit at June 30, 2012.

Term loans

On February 20, 2012, the Company executed a four year term loan with Capital One Equipment Leasing & Financing. The loan was approximately $256,000 bearing a fixed interest rate of 6.5%. The monthly payment on the loan will be $6,047. The Company has pledged the equipment purchased and cash deposit as collateral.

On March 2, 2012, the Company converted the existing balance of $1.5 million from the previous line of credit into two term loans with Capital One Bank. The first term loan is a four year loan in the amount of $1 million bearing a fixed interest rate of 4.527%. The monthly payment on the loan will be $22,844 beginning in April 2012. The second term loan is a three year loan in the amount of $500,000 bearing a fixed interest rate of 4.330%. The monthly payment on the loan will be $14,849 beginning in April 2012. The Company has pledged first security interest on all Company assets including all accounts receivable as collateral.

Note 11—Debt (Continued)

Notes Payable and Capital Lease Obligations

Notes payable and capital lease obligations consist of the following:

	June 30, 2012	June 30, 2011
Notes payable and lease obligations	$1,703,168	$ 60,588
Less: current maturities	(488,482)	(18,479)
Long-term portion	$1,214,686	$ 42,109

The future notes payable and capital lease obligations with maturities in excess of one year as of June 30, 2012 are as follows:

	Future Debt Maturities
2013	$ 488,482
2014	500,523
2015	466,882
2016	247,281
2017	—
	$1,703,168

Note 12—Lease Commitments

At June 30, 2012, the Company has lease commitments for office space, a training center, a number of service center locations and office equipment under operating and capital leases. These leases expire between 2012 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 $314,000 is included in operating expenses for the years ended June 30, 2012 and 2011, respectively. Rent expense for service center locations of approximately $1.6 million and $1.0 million is recorded net of sublease income of $64,000 and $60,000 for the years ended June 30, 2012 and 2011, respectively.

Note 12—Lease Commitments (Continued)

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, 2012 are as follows:

	Future Minimum Lease Payments	Sublease Income	Net
2013	$2,117,000	$ 108,000	$2,009,000
2014	1,642,000	108,000	1,534,000
2015	1,114,000	108,000	1,006,000
2016	947,000	92,000	855,000
2017	746,000	60,000	686,000
Thereafter	2,156,000	720,000	1,436,000
	$8,722,000	$1,196,000	$7,526,000

Capital Leases

The Company had recorded capital assets of $47,240 as of June 30, 2012 and 2011, respectively. Accumulated amortization related to the leased assets was $15,747 and $6,299 at June 30, 2012 and 2011, respectively.

The future minimum lease payments for capital leases with terms in excess of one year as of June 30, 2012 are as follows:

	Future Minimum Lease Payments
2013	10,009
2014	10,009
2015	10,009
2016	4,169
Total lease payments	$34,196
Less amounts representing interest	1,335
Present value of net lease payments	$32,861

Note 13—Area Developer Agreement

On April 16, 2012, the Company and the area developer for a portion of Georgia and South Carolina mutually agreed to terminate the area developer agreement for that market for an amount in excess of $100,000. The Company bought back the area rights and the amount was expensed as a direct franchise support cost for the year ended June 30, 2012.

On June 30, 2011, the Company and the area developer for the Seattle, WA market mutually agreed to terminate the area developer agreement for the Seattle, WA market for an amount in excess of $200,000. The Company bought back the area rights and the amount was expensed as a direct franchise support cost for the year ended June 30, 2011.

Note 13—Area Developer Agreement (Continued)

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 14—Related Party Transactions

The Company manages the operation of 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. The Company charged PMF $625,000 for administrative and other expenses incurred on behalf of PMF, for the years ended June 30, 2012 and 2011, respectively. Based on the timing of receipts and disbursements, it is common for amounts to be due to and from the Company and PMF. At June 30, 2012 and 2011, the amount due from PMF was approximately $104,000 and $52,000, respectively. This amount is included in accounts receivable. At June 30, 2012 and 2011, the amount due to PMF was $180,525 and $160,021, respectively. This amount is included in due to related party.

Bassam N. Ibrahim, a director of the Company, is a shareholder in Buchanan Ingersoll & Rooney PC, an Alexandria, Virginia law firm that performs legal services for the Company related to intellectual property protection. Fees paid in the amount of approximately $22,000 and $38,000 to the firm by the Company in the fiscal years ended June 30, 2012 and 2011, respectively, did not exceed five percent of the firm's gross revenues.

Note 15—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, 2012 and 2011, respectively.

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

Common Stock Option Plan

In 1999, the Company's Board of Directors and the Company's stockholders approved the 1999 Employee Stock Option Plan (the "Option Plan") and, as amended, reserved 2,600,000 shares of common stock for issuance under the Plan. Options available for future grants under this plan were 307,000 at June 30, 2012.

Options reserved for issuance under predecessor plans consist of 400,000 related to the 1997 Employee Stock Option Plan, 175,000 related to the 1996 Employee Stock Option Plan, and 75,000 related to the 1998 Director's Stock Option Plan. Options available for future grant at June 30, 2012, under these plans were 327,500, 175,000 and 75,000, respectively. The Compensation Committee of the Company's Board of Directors determines the recipients of the award to be granted, exercise price, vesting period, term and number of shares underlying the options.

Note 15—Stockholders' Equity (Continued)

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

	Shares Under Option	Weighted-Average Exercise Price
June 30, 2010	1,441,250	0.48
Options granted	—	—
Options exercised	180,000	0.33
Options forfeited	200,000	0.39
June 30, 2011	1,061,250	0.52
Options granted	—	—
Options exercised	—	—
Options forfeited	25,000	1.00
June 30, 2012	1,036,250	0.51

At June 30, 2012 and 2011, options for approximately 1,036,000 and 1,061,000 shares, respectively, were exercisable. No options were granted in fiscal year 2012 and 2011, respectively. The weighted-average remaining contractual term of the options was 1.10 years as of June 30, 2012. The exercise price of options outstanding at June 30, 2012 ranged from $0.44 to $0.62 per share.

The intrinsic value of in the money options at June 30, 2012 and 2011 was $0, respectively.

Outside Director's Stock Plan

In 2000, the Company's Board of Directors and the Company's stockholders approved the 2000 Outside Directors' Stock Plan and reserved 50,000 shares for issuance and approximately 13,000 were granted under the Plan. Shares available for future grants at June 30, 2012, under this plan were approximately 37,000.

Note 16—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 employee matching contribution is discretionary and vests 20% after one year and in increments of 20% each additional year. The employee matching contributions for each of the years ended June 30, 2012 and 2011 were $34,000 and $33,000, respectively.

Note 17—Contingencies

The Company is subject to litigation. The Company does not believe any of the proceedings will result in material judgments against the Company (see Item V.—Section A. Business Development).

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 financial statements for the most recent fiscal year. These are the June 30, 2010 financial statements, and are published as "Initial Company Information and Disclosure Statement—For the fiscal year ended June 30, 2010".

Item XIV Beneficial Owners.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock
Louis M. Brown, Jr.(1)	9,414,004	39.64%
Bessemer Trust Company, NA.(2) 630 Fifth Avenue, New York, NY 10111	3,472,210	14.62%
Avenir Corporation(3) 1775 Pennsylvania Ave, NW, Suite 650, Washington, DC 20006	2,828,769	11.91%

(1) Mr. Brown is Chairman of the Board of Directors. Includes 9,414,004 shares owned. There are no options exercisable within 60 days.

(2) Bessemer Trust Company, as trustee for the Arthur Kellar Charitable Lead Annuity Trust (the "CLAT"), will vote the shares owned by the CLAT.

(3) 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.

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**

Ballard Spahr LLP	Hunton & Williams	Haynes and Boone, LLP
601 13th Street, NW	Riverfront Plaza, East Tower	PO Box 841399
Suite 1000 South	951 East Byrd Street	Dallas, TX 75284
Washington, DC 20005	Richmond, VA 23219	Ph: (214) 651-5000
Ph: (202) 661-2200	Ph: (804)788-8200	

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

Responsibilities include but not limited to an audit of the consolidated balance sheets and related 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 or Plan of Operation.

A. ***Plan of Operation***

i. **a discussion of how long the issuer can satisfy its cash requirements and whether it will have to raise additional funds in the next twelve months;**
Management believes that the Company's current cash balance, cash generated from operations, and the $500,000 credit line will be sufficient to meet the Company's working capital needs, capital expenditures, and contractual obligations for fiscal year 2013. At June 30, 2012, the entire line of credit was available.

ii. **a summary of any product research and development that the issuer will perform for the term of the plan;**
NOT APPLICABLE

iii. **any expected purchases or sale of plant and significant equipment; and**
NOT APPLICABLE

iv. **any expected significant changes in the number of employees.**
NOT APPLICABLE

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

1. **For the fiscal years ended June 30, 2012 and 2011.**

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

Precision Auto Care, through its subsidiaries, offers franchise opportunities for auto care centers throughout the world and owns and operates thirty-four Company Centers throughout the United States as of June 30, 2012. 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 licenses. 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 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

The Company enters into domestic Area Development agreements and international Master License agreements which grant the area developer and master licensor, respectively, the right to sell, on the Company's behalf, Precision Tune Auto Care franchises within a specific geographic region. Revenue from the sale of Area Development agreements and international Master License agreements is recognized as all material services or conditions related to the agreements are satisfied.

Revenue from the sale of a franchise is recognized when all material services and conditions have been satisfied, generally at the opening of the franchised center.

The Company's royalty revenue is recognized in the period earned and to the extent no known issues involving collection exist. In the case when 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.

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 and Intangible Assets

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, 2012 and 2011was not impaired.

Deferred Tax Valuation Allowance

The Company recognizes deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the 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, 2012 to the year ended June 30, 2011

Summary (in thousands)

	Twelve Months Ended June 30,			
	2012	%	2011	%
Automotive care franchising revenues	$10,168	38	$ 9,805	47
Company-operated store retail sales	16,142	60	10,848	52
Other	411	2	375	1
Total revenues	$26,721	100%	$21,028	100%
Franchise support costs	5,864	22	6,222	30
Company-operated store retail costs	16,087	60	10,218	49
Other	249	1	224	—
Total direct costs	22,200	83	16,664	79
General and administrative expenses	3,197	12	3,035	14
Depreciation and amortization expenses	589	2	372	2
Operating income	735	3	957	5
Other income, net	24	—	61	—
Income before income taxes	759	3	1,018	5
Provision for income taxes	358	1	446	2
Net income	401	2	572	3
Preferred stock dividends	1	—	2	—
Net income applicable to common shareholders	$ 400	2%	$ 570	3%

Revenues. Total revenues for the year ended June 30, 2012 were $26.7 million, an increase of approximately $5.7 million, or 27%, compared with total revenues of $21.0 million for the year ended June 30, 2011.

Automotive care franchising revenues for the year ended June 30, 2012 were $10.2 million, an increase of approximately $363,000 or 4%, compared to $9.8 million for the year ended June 30, 2011. The increase in automotive care franchising revenues was due to the Company recognizing an increase in international royalty revenues of approximately $550,000 during the year ended June 30, 2012. The increase was primarily due to the company recognizing revenue of $500,000 due to a payment from the master franchisee in Portugal. The Company consented to the sale of the stock of Precision Iberia, the master franchisee for Portugal, from the current ownership to a venture capital fund. In exchange for providing the consent to this transaction, the Company received a net payment of $450,000. The previous owners of Precision Iberia had not paid royalties for approximately 3 years and owed the Company close to $1 million. The Company accepted payment of $500,000 in full payment of these royalties less $50,000 in withholding taxes due to the Portuguese government. Additionally, per the agreement, the new Master Franchisee will pay royalties as required on a going forward basis (see Note 10 of the Consolidated Financial Statements). This increase was offset by a decrease in development revenues of $187,000 for the year ended June 30, 2012.

Company-operated store retail sales for the year ended June 30, 2012 was $16.1 million, an increase of approximately $5.3 million, or 49%, compared to $10.8 million for the year ended June 30, 2011. The increase in the retail sales was due to the additional number of company-operated stores. There were thirty-four company-operated stores generating sales during the year ended June 30, 2012 compared to twenty-six company-operated stores during the year ended June 30, 2011 (see Note 5 of the Consolidated Financial Statements). Additionally, the same store sales increased by approximately $1.2 million or 10.4% for the twenty-six company-operated stores during the year ended June 30, 2012.

Foreign franchisee operations revenues for the year ended June 30, 2012 were $600,000, an increase of approximately $363,000, or 153%, compared to $237,000 for the year ended June 30, 2011. As noted above, the increase in revenues from foreign franchisee operations was primarily due to an increase in international royalty revenue of $500,000. The Company received a net payment of $450,000, and there were withholding taxes of $50,000 due to the Portuguese government. The payment was made in exchange for the Company consenting to the sale of the master franchisee rights for Portugal to a venture capital fund. The increase in royalty revenues was offset by a decrease in international development revenues. International development revenues decreased by $187,000 during the year ended June 30, 2012. For the years ended June 30, 2012 and 2011, the Company recognized international development revenues for payments received from the Republic of Georgia and Nigeria totaling $23,000 and $210,000, respectively. These payments were made as a part of the master franchise agreements for these areas.

Other revenues for the year ended June 30, 2012 were $411,000, an increase of approximately $36,000, or 10%, compared to $375,000 for the year ended June 30, 2011. The increase in other revenues was due to an increase in revenues from rebate and training programs of $42,000 and was offset by a decrease of $6,000 from support fees associated with the point of sale system.

Direct Costs. Total direct costs for the year ended June 30, 2012 totaled $22.2 million, an increase of approximately $5.5 million or 33%, compared with $16.7 million for the year ended June 30, 2011.

Automotive care franchising direct costs for the year ended June 30, 2012 totaled $5.9 million, a decrease of $358,000 or 6%, compared with $6.2 million for the year ended June 30, 2011. For the year ended June 30, 2011, the Company incurred expenses of approximately $127,000 related to the convention held in Baltimore, Maryland. There was no comparable convention expenses in the year ended June 30, 2012. Additionally, for the years ended June 30, 2012 and 2011, the Company bought back the area developer rights to the South Carolina and Seattle Carolina markets for an amount in excess of $100,000 and $200,000, respectively (see Note 13 of the Consolidated Financial Statements). Also, for the year ended June 30, 2012, due to the purchasing the areas back, there was a decrease in area developer commission costs. The Company keeps one hundred percent of the royalty stream instead of splitting those monies with an area developer.

Company-operated store retail costs, which included an internal cost allocation of approximately $623,000, for the year ended June 30, 2012, were $16.1 million, an increase of approximately $5.9 million, or 57%, compared to $10.2 million for the year ended June 30, 2011, which included an internal cost allocation of approximately $508,000. The increase in retail costs was due to the additional number of company-operated stores. There were thirty-four company-operated stores generating sales during the year ended June 30, 2012 compared to twenty-six company-operated stores during the year ended June 30, 2011 (see Note 5 of the Consolidated Financial Statements).

Other direct costs for the year ended June 30, 2012 were approximately $249,000, an increase of $25,000 or 11%, compared with $224,000 for the year ended June 30, 2011. There was an increase in costs related to training and rebate programs of approximately $43,000 offset by a decrease in costs of approximately $18,000 related to the point of sale system.

General and Administrative Expenses. General and administrative expenses for the year ended June 30, 2012 totaled $3.2 million, an increase of $162,000 or 5%, compared with approximately $3.0 million for the year ended June 30, 2011. The increase was primarily due to an increase in outside legal expenses associated with enforcing existing franchisees' franchise agreements as well as an increase in fees associated with outside information technology services at the corporate office.

Operating Income. The Company recorded operating income for the year ended June 30, 2012 of approximately $735,000, a decrease of $222,000 million, or 23%, compared with operating income of $957,000 for the year ended June 30, 2011.

Other Income. The Company recorded other income of $24,000 for the year ended June 30, 2012, a decrease of approximately $37,000 or 61% compared to $61,000 in other income for the year ended June 30, 2011. The decrease in other income was due to an increase in interest expense of $41,000 related to the various terms loans offset by an increase in other income and interest income of $4,000.

Income Taxes. The Company's effective tax rates for the years ended June 30, 2012 and 2011 were approximately 47% and 44%, respectively (see Note 7 of the Consolidated Financial Statements). The increase in the effective tax rate was primarily related to the foreign tax expense related to the foreign withholding taxes (see Note 10 of the Consolidated Financial Statements).

Net Income Applicable to Common Shareholders and Earnings Per Share. The Company recorded Net Income Applicable to Common Shareholders of $401,000, or $0.02 per share, for the year ended June 30, 2012 compared to Net Income Applicable to Common Shareholders of $570,000 or $0.02 per share, for the year ended June 30, 2011.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash at June 30, 2012 was $1.5 million. During the period, cash provided by operations was $1.3 million.

Cash used in investing activities for the twelve months ended June 30, 2012 was approximately $1.5 million. Cash used in investing activities consisted of the purchase of property and equipment of $1.3 million for use in the Company's franchise and company store operations and approximately $200,000 for the purchase of company-operated stores.

Cash provided by financing activities for the twelve months ended June 30, 2012 was approximately $600,000. The Company borrowed approximately $700,000 against the previous line of credit (see Note 11 of the Consolidated Financial Statements). Additionally, cash used in financing activities during the period consisted of the payments of dividends, notes payable and a capital lease obligation.

Management believes that the Company's current cash balance, cash generated from operations, and the $500,000 credit line will be sufficient to meet the Company's working capital needs, capital expenditures, and contractual obligations for fiscal year 2013. At June 30, 2012, the entire line of credit was available.

C) 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.

The Company repurchased approximately 6.4 million shares of common stock and 4,500 shares of preferred stock for approximately $2.6 million (see Note 8 of the Consolidated Financial Statements).

The total numbers of shares that may be issued without amending the Articles of Incorporation are limited to 40 million shares, divided into two classes—39 million shares of common stock and 1 million shares of preferred stock. Currently, there are 22,723,995 and 6,720 shares outstanding, respectively.

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.

ISSUER PURCHASES OF EQUITY SECURITIES

	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 12, 2011	6,449,757 Common	$ 0.40	NA	NA
January 12,2011	4,507 Preferred	$10.36	NA	NA
Total	6,454,264 shares	$ 0.41	NA	NA

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 17th of September, 2012.

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 17th of September, 2012.

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.]