

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order No.: S-12-0916-12-CO01
whether there has been a violation of the)
Franchise Investment Protection Act of Washington)
by:)
AAMCO TRANSMISSIONS, INC.,) CONSENT ORDER
Respondents.)

INTRODUCTION

Pursuant to the Franchise Investment Protection Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondent, AAMCO TRANSMISSIONS, INC., do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondent, AAMCO TRANSMISSIONS, INC., neither admits nor denies the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Parties

1. AAMCO Transmissions, Inc. (“ATI”) is a corporation incorporated under the laws of the State of Pennsylvania with its principal place of business at 201 Gibraltar Road, Horsham, PA 19044.

Related Parties

2. American Driveline Systems, Inc. (“ADS”) is a corporation incorporated under the laws of the State of Delaware with its principal place of business at 240 New York Drive, Fort Washington, PA 19034. ATI is a subsidiary of ADS.

3. American Capital, Ltd. is a corporation incorporated under the laws of the State of Delaware with its principal place of business at 2 Bethesda Metro Center, 14th Floor, Bethesda, MD 20814. American Capital owns a majority of ADS and four employees of American Capital are on the six-person Board of Directors that is common to both ATI and ADS.

1 Nature of the Offering

2 4. ATI is a franchisor of automotive service centers. ATI has been registered with the Washington State
3 Securities Division or has filed a notice of exemption from registration as a franchisor since at latest 1986. In its most
4 recent application for a franchisor permit, and in every such application since at latest 2004, ATI claimed an
5 exemption to registration pursuant to RCW 19.100.030(4). The exemption ATI claimed required that ATI file an
6 Annual Notice of Claim Exemption on a form prescribed by the Director of Securities.

7 5. Included with ATI's Annual Notice of Claim Exemption, filed in April of 2011, was a copy of its FDD, which
8 it is required to provide to prospective franchisees pursuant to RCW 19.100.080. ATI's FDD, filed with the director in
9 April of 2011, contained at least three omissions of fact.

10 *Omission of American Capital as a Parent*

11 6. ATI failed to disclose in Item 1 of its FDD that American Capital is a parent as required by WAC 460-80-
12 315. American Capital is a parent required to be disclosed in Item 1 because through the board of directors of ATI and
13 ADS, American Capital exercises management authority over ATI.

14 *Omission of Contact Information*

15 7. ATI failed to disclose in Item 20 of its FDD the contact information of a Washington franchisee whose three
16 franchises were reacquired by ATI in April of 2010. Disclosure of the contact information was required by the WAC
17 460-80-315.

18 *Omission of Bankruptcy*

19 8. ATI failed to disclose in Item 4 of its FDD that Marc Graham, the CEO of ATI and ADS as of April 2011,
20 was president and CEO of EZ Lube, LLC when EZ Lube, LLC filed for bankruptcy in December of 2008. Disclosure
21 of EZ Lube, LLC's bankruptcy in Item 4 was required by WAC 460-80-315. ATI has included disclosures concerning
22 EZ Lube, LLC's bankruptcy in its 2012 FDD.

23 *Delivery of FDD*

24 9. ATI gave the FDD filed with the Director of Securities in April of 2011 to at least one Washington State
25 resident who relied upon that FDD in his decision to purchase a franchise from ATI.

1 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

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3 **CONCLUSIONS OF LAW**

4 The omissions of fact contained in ATI's FDD described in the Findings of Fact, combined with ATI's
5 delivery of the FDD to a prospective franchisee, amounted to a violation of RCW 19.100.170(2). Such conduct is
6 grounds for suspending AAMCO from claiming any exemption to the franchise registration provisions pursuant to
7 RCW 19.100.255(1).

8 **CONSENT ORDER**

9 Based upon the foregoing and finding it in the public interest:

10 IT IS AGREED AND ORDERED that Respondent, AAMCO TRANSMISSIONS, INC., its agents and
11 employees each shall cease and desist from violating RCW 19.100.170, the anti-fraud section of the Franchise
Investment Protection Act.

12 IT IS FURTHER AGREED AND ORDERED that Respondent, AAMCO TRANSMISSIONS, INC., shall be
13 suspended from claiming any exemption to the franchise registration provisions found in RCW 19.100.030 for a
14 period of three years.

15 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

16 IT IS FURTHER AGREED that Respondent, AAMCO TRANSMISSIONS, INC., entered into this Consent
Order freely and voluntarily and with a full understanding of its terms and significance.

17 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, AAMCO
18 TRANSMISSIONS, INC., waives its right to a hearing and to judicial review of this matter pursuant to RCW
21.20.440 and Chapter 34.05 RCW.

1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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3 Signed this 10 day of October 2012.

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5 Signed by: AAMCO Transmissions, Inc.

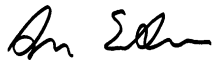
6 _____/S/
7 Marc Graham
8 AAMCO Transmissions, Inc.
9 President and CEO

10 SIGNED and ENTERED this 15th day of October 2012.

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14 _____
15 William M. Beatty
16 Securities Administrator

17 Approved by:

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19 _____
20 Suzanne Sarason
21 Chief of Enforcement

Reviewed by:

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23 _____
24 Jack McClellan
25 Financial Legal Examiner Supervisor

Presented by:

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27 _____
28 William McGinty
29 Financial Legal Examiner

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CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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