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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING ) Order No.: S-12-0916-12-SC01  
Whether there has been a violation of the )  
Franchise Investment Protection Act of ) STATEMENT OF CHARGES AND NOTICE OF INTENT  
Washington by: ) TO ENTER ORDER TO CEASE AND DESIST AND TO  
) SUSPEND ELIGIBILITY FOR EXEMPTIONS  
AAMCO TRANSMISSIONS, INC., )  
)  
Respondent. )

7 **THE STATE OF WASHINGTON TO:** **AAMCO TRANSMISSIONS, INC.**

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**STATEMENT OF CHARGES**

10 Please take notice that the Securities Administrator for the state of Washington has reason to believe that  
11 Respondent, AAMCO TRANSMISSIONS, INC., has violated the Franchise Investment Protection Act of Washington,  
12 RCW 19.100, and that its violations justify the entry of an order of the Securities Administrator under RCW  
13 19.100.248 against it to cease and desist from such violations and under RCW 19.100.255 to suspend its eligibility for  
14 any exemptions otherwise available to it pursuant to RCW 19.100.030. The Securities Administrator finds as follows:

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**TENTATIVE FINDINGS OF FACT**

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Parties

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

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Related Parties

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

3. American Capital, Ltd. is a corporation incorporated under the laws of the State of Delaware with its principal  
24 place of business at 2 Bethesda Metro Center, 14th Floor, Bethesda, MD 20814. American Capital owns 83% of ADS  
25 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 exemption  
5 to registration pursuant to RCW 19.100.030(4). The exemption ATI claimed required that ATI file an Annual Notice  
6 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 Franchise  
8 Disclosure Document ("FDD"), which it is required to provide to prospective franchisees pursuant to RCW  
9 19.100.080. ATI's FDD, filed with the director in 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 460-80-315.  
12 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, was  
20 president and CEO of EZ Lube, LLC when EZ Lube, LLC filed for bankruptcy in December of 2008. Disclosure of EZ  
21 Lube, LLC's bankruptcy in Item 4 was required by WAC 460-80-315.

22 *Delivery of FDD*

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

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

**CONCLUSIONS OF LAW**

The three omissions of fact stated in the Tentative Findings of Fact were, singly or in combination, material omissions of fact such that delivering the FDD to a prospective franchisee was a violation of RCW 19.100.170(2). Such conduct is grounds for suspending AAMCO from claiming any exemption to the franchise registration provisions pursuant to RCW 19.100.255(1).

**NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that AAMCO TRANSMISSIONS, INC., their agents and employees each shall cease and desist from violations of RCW 19.100.170.

**NOTICE OF INTENT TO SUSPEND EXEMPTIONS PURSUANT TO RCW 19.100.255**

Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that AAMCO TRANSMISSIONS, INC., their agents and employees, shall be suspended from claiming any exemption to the franchise registration provisions found in RCW 19.100.030 for a period of five years.

**AUTHORITY AND PROCEDURE**

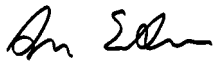
This Order is entered pursuant to the provisions of RCW 19.100.248 and RCW 19.100.255 and is subject to the provisions of Chapter 34.05 RCW. AAMCO TRANSMISSIONS, INC., may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing within the allowed time, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease and desist permanent as to that respondent.

Signed and Entered this 23<sup>rd</sup> day of May 2012.



William M. Beatty  
Securities Administrator

Approved by:



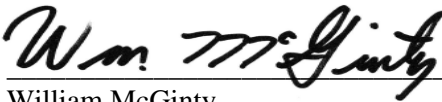
Suzanne Sarason  
Chief of Enforcement

Approved by:



Jack McClellan  
Financial Legal Examiner Supervisor

Presented by:



William McGinty  
Financial Legal Examiner