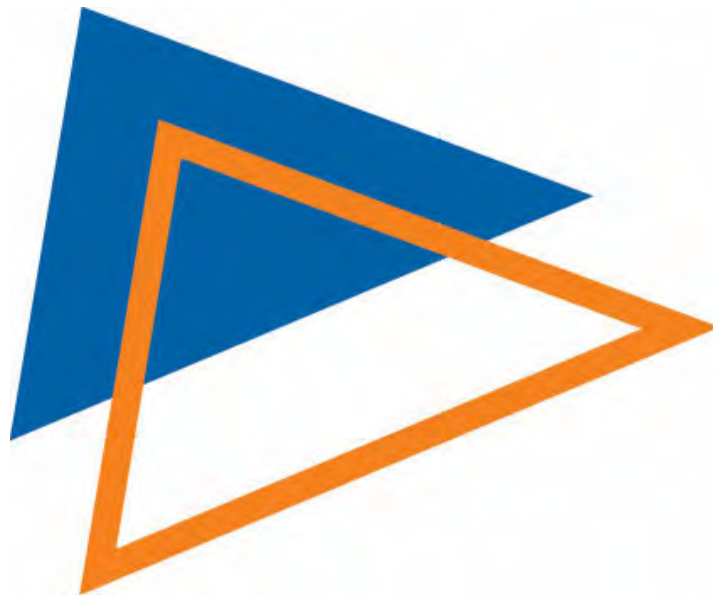


Franchise Disclosure Document



Byrider Franchising, LLC
12802 Hamilton Crossing Blvd.
Carmel, IN 46032
(317) 249-3000



FRANCHISE DISCLOSURE DOCUMENT

Byrider Franchising, LLC
an Indiana limited liability
company
12802 Hamilton Crossing Blvd.
Carmel, Indiana 46032
(317) 249-3000

byriderfranchise.com

The franchise offered is to operate a used vehicle retail sales and finance business under the name Byrider and CNAC ("CNAC").

The estimated total investment necessary to begin operation of a Byrider Business ranges from \$947,000 to \$1,577,500 depending upon whether assets are leased or purchased. This includes \$60,000 that must be paid to the franchisor or its affiliate.

On your request, the franchisor may also allow you to acquire a development area in exchange for committing to acquire multiple franchises (by signing multiple franchise agreements) and to opening a Byrider Business under each franchise agreement in accordance with a development schedule. You will sign an area development agreement, which will attach to the franchise agreement as a rider. If and when you sign an area development agreement rider to the franchise agreement, you must pay the franchisor the following: (a) if you are a Traditional Franchisee (you have signed a franchise agreement with the franchisor prior to January 1, 2021), you will pay a development fee of \$17,500 times the number of franchises that you agree to acquire, or (b) if you are a Ultra Franchisee (you have not signed a franchise agreement with the franchisor prior to January 1, 2021), you will pay a development fee of \$20,000 times the number of franchises that you agree to acquire. While the franchisor and you may agree to deviate from it, the franchisor will typically require that you commit to acquiring 1 to 5 franchises, in which case the development fee would be \$17,500 or \$20,000 (for a 1-franchise commitment), \$35,000 or \$40,000 (for a 2-franchise commitment), \$52,500 or \$60,000 (for a 3-franchise commitment), \$70,000 or \$80,000 (for a 4-franchise commitment), or \$87,500 or \$100,000 (for a 5-franchise commitment). The development fee is the only investment you are required to make when signing the area development agreement rider to the franchise agreement (but see the 1st paragraph above for a description of the investment under each franchise agreement), and it is paid entirely to the franchisor. As you sign each franchise agreement, the franchisor will apply the development fee, in \$17,500 (or, if you are designated an "Ultra Franchisee", then \$20,000) increments, as a credit toward the initial franchise fee due under each such franchise agreement.

This Disclosure Document summarizes certain provisions of your Franchise Agreement, Area Development Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make 8/15/2023

any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact: Jeffrey B. Higgins, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032, (317) 249-3000.

The terms of your contract will govern your franchise relationship. Do not rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date of this Franchise Disclosure Document: August 15, 2023.

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit D.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit A includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Byrider business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Byrider franchisee?	Item 20 or Exhibit D lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising Generally

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit G.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to arbitrate (and in some instances litigate) with us only in Indiana. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with us in our home state than in your home state.
2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **Supplier Control.** You must purchase all or nearly all of the inventory & supplies necessary to operate your business from Franchisor, its affiliates, or from suppliers that Franchisor designates at prices that the Franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchised business.
4. **Franchisor's Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

**FOR TRANSACTIONS REGULATED BY THE MICHIGAN FRANCHISE INVESTMENT
LAW ONLY**

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: Despite subparagraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is

unconstitutional and cannot preclude us from enforcing these arbitration provisions. You acknowledge that we will seek to enforce this section as written.

THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE</u>
1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
2	BUSINESS EXPERIENCE	3
3	LITIGATION	6
4	BANKRUPTCY	9
5	INITIAL FEES.....	9
6	OTHER FEES	11
7	ESTIMATED INITIAL INVESTMENT	20
8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	24
9	FRANCHISEE'S OBLIGATIONS	28
10	FINANCING	29
11	FRANCHISOR'S ASSISTANCE, ADVERTISING, TECHNOLOGY SYSTEM, AND TRAINING	29
12	TERRITORY	37
13	TRADEMARKS	39
14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	41
15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	42
16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	43
17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	43
18	PUBLIC FIGURES	50
19	FINANCIAL PERFORMANCE REPRESENTATIONS	50
20	OUTLETS AND FRANCHISEE INFORMATION	58
21	FINANCIAL STATEMENTS	65
22	CONTRACTS	65
23	RECEIPT	66

TABLE OF CONTENTS

(continued)

ITEM

PAGE

EXHIBITS

Exhibit A	Financial Statements and Guarantee of Performance
Exhibit B	Franchise Agreement
Exhibit C-1	Area Development Agreement (Traditional Franchisee)
Exhibit C-2	Area Development Agreement (Ultra Franchisee)
Exhibit D	Franchise Directory
Exhibit E	Operations Manuals' Tables of Contents
Exhibit F	Acceptance and Assumption of Obligations
Exhibit G	List of State Agencies/Agents for Service of Process
Exhibit H	List of Franchisees Who Left the System
Exhibit I	Renewal Addendum
Exhibit J	Multi-Location Flat Rate Option Addendum
Exhibit K	Traditional and Legacy Royalty Fee Addendum
Exhibit L	Veteran Discount Addendum
Exhibit M	State Addenda and Agreement Riders
Exhibit N	Receipts

APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS DISCLOSURE DOCUMENT AND MIGHT REQUIRE A RIDER TO THE FRANCHISE AGREEMENT AND/OR AREA DEVELOPMENT AGREEMENT. THESE ADDITIONAL DISCLOSURES AND RIDERS, IF ANY, APPEAR IN EXHIBIT M.

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

A. The Franchisor. The franchisor is Byrider Franchising, LLC (referred to in this document as "Byrider Franchising"). A person who buys a franchise from Byrider Franchising is referred to in this Disclosure Document as "you." If you are a corporation, limited liability company or other entity, your owners must sign a personal guaranty to fulfill all of your obligations under the Franchise Agreement (Exhibit B).

Byrider Franchising is an Indiana limited liability company, incorporated on January 19, 1989 as a corporation. Byrider Franchising changed from a corporation to a limited liability company in April 2011. Byrider Franchising's direct parent company is J.D. Byrider Systems, LLC. J.D. Byrider Systems, LLC also changed from a corporation to a limited liability company in April 2011. Byrider Franchising and its parent maintain their principal business address at 12802 Hamilton Crossing Blvd., Carmel, Indiana, 46032.

On May 3, 2011, Byrider Holding Corp., through its wholly owned subsidiary, Byrider Systems Acquisition Corp., acquired substantially all of the ownership of J.D. Byrider Systems, LLC and became Byrider Franchising's ultimate parent. Byrider Holding Corp.'s principal business address is 2 Palo Alto Square, 10th Floor, Palo Alto, California 94306.

Byrider Franchising operates under its corporate name, Byrider Franchising, LLC, and under the service marks "BYRIDER" and "CNAC" (the "Marks") and associated logos. Byrider Franchising's agent for service of process in your state, if applicable, is disclosed in Exhibit G. Byrider Franchising grants franchises to operate businesses under the Marks. These businesses are referred to in this Disclosure Document as "Byrider Franchising Businesses"; the Byrider Franchising Business you will operate is referred to in this Disclosure Document as the "Business." Byrider Franchising has been offering franchises for Byrider Franchising Businesses since May 1989.

In 2019, Byrider Franchising piloted a Byrider Direct Franchise model with an existing Byrider franchisee. The Byrider Direct Franchise model allows franchisees to operate a used car dealership. However, the Byrider Direct franchisees use a more conventional form of auto financing, rather than the Buy Here, Pay Here model provided under the franchise offered in this Disclosure Document. Byrider Franchising has offered Byrider Direct franchises since April 2021. Byrider Franchising has not offered franchises in other lines of business. Byrider Franchising does not have other business activities.

Byrider Franchising's related companies, Byrider Sales of Indiana S, LLC and Byrider Finance, LLC, have operated Byrider Franchising Businesses since 1995 (see Item 20). Byrider Sales of Indiana S, LLC also provides Secure Close services for franchisees. Byrider Franchising's affiliate, J.D. Byrider Advertising Group, Inc. ("Ad Group") provides advertising services for franchisees. Ad Group has never offered franchises in any line of business and has never conducted a Byrider-branded business.

Ad Group shares Byrider Franchising's principal business address. No predecessors or other affiliates of Byrider Franchising are required to be disclosed in this Item.

B. The Franchise Opportunity. Byrider Franchising Businesses operate using Byrider Franchising's specialized operational techniques and systems (the "System"). The System consists of unique marketing and sales aids, advertising materials and promotional ideas, and methods for developing, tracking and following up with potential customers. It also includes suggested ways to acquire and control inventory, monitor the quality of sales services, referral and collection techniques, suggestions for record keeping and reporting, and other confidential operating procedures. If you buy a franchise from Byrider Franchising, you must operate your Business in compliance with the System.

A Byrider Franchising Business includes two divisions: the Byrider sales division and the CNAC finance division. The Byrider sales division operates as a used vehicle retail sales dealership and the CNAC finance division operates as an auto financing provider. The two divisions are distinct elements that will be operated and funded solely by you. Byrider Franchising may allow you to operate the CNAC finance division through a separate entity, but if Byrider Franchising does, such entity will be required to sign the Acceptance and Assumption of Obligations (see Exhibit F). You must also operate a service center at the location of your Business ("Service Center"). The Service Center may only provide repair services for vehicles purchased from Byrider-branded businesses, unless Byrider Franchising approves in writing for the Service Center to provide repair services to the general public. However, if you or your affiliate already operate a Service Center at a Byrider Franchising Business, you will not be required to operate another Service Center at your Business, so long as the existing Service Center is located within a reasonable distance to your Business, as determined by Byrider Franchising.

If you purchase more than one franchise, you may enter into an area development agreement rider to the Franchise Agreement that you will sign (the "Area Development Agreement" – see Exhibit C). Before signing the Area Development Agreement, Byrider Franchising and you will agree on the size and configuration of that protected territory, the number of Byrider businesses you commit to open, and the development schedule. Your protected territory will be determined based on local market conditions, demographics, and the number of Byrider businesses you agree to develop. The Area Development Agreement does not grant you the right to open a Byrider business or to use the Marks or the System. Rather, it controls your rights and obligations to acquire franchises. To acquire each franchise, you would be required to sign an individual Franchise Agreement that will govern the operation of the Byrider business. For each Byrider business you intend to open, when we accept your proposed site, you will sign Byrider Franchising's then-current form of Franchise Agreement, the terms of which may materially differ from the form Franchise Agreement that is attached as Exhibit B to this Disclosure Document.

C. Competition. Your Business competes with other used car retail sales companies. These competitors may operate on a national, regional or local level. The

primary market for used vehicles with nonconventional financing and related services is the special credit used car buyer. The main competition for a Byrider Franchising Business is automobile businesses (including new car dealerships and independent used car dealers) that offer special credit financing services.

D. Government Regulation. State and federal laws and regulations apply to the business operations of your Business. The Federal Trade Commission ("FTC") has certain laws that apply directly to used car sales and must be followed by your Business. In addition, most states require that you apply for and obtain a license to sell used vehicles. In addition, certain general laws also apply to your Business. For example, state usury laws, advertising laws and federal truth-in-lending laws apply to the operation of the financing element of your Business. Your state law may require you to obtain a sales finance license. There may be other general laws that apply to your Business, including potentially applicable federal, state, or local governmental orders in response to the COVID-19 pandemic, and you should make inquiries to find out about these regulations.

ITEM 2

BUSINESS EXPERIENCE

Craig S. Peters: President of Byrider Franchising; Chief Executive Officer and Member of Board of Directors of Byrider Holding Corp.

Mr. Peters has been with Byrider Franchising in his current position since June 5, 2017.

Steven R. Mark: Treasurer, Secretary, and Chief Financial Officer

Mr. Mark has been with Byrider Franchising as Treasurer and Chief Financial Officer since March 2018 and as Secretary since December 2022.

Warren Lenard: Chief Information Officer

Mr. Lenard has been with Byrider Franchising in his current position since December 2018. Previously, Mr. Lenard was VP, Technology and Operations at Finish Line in Indianapolis, IN, from September 2014 until December 2018.

Jeffrey B. Higgins: Vice President, General Counsel

Mr. Higgins has been with Byrider Franchising since August 1991.

Jack J. Humbert: Vice President Franchise Development

Mr. Humbert has been with Byrider Franchising since December 2010. Mr. Humbert has been in his current position since July 2013.

Walter Scott: Chief Marketing and Franchise Growth Officer

Mr. Scott has been with Byrider Franchising since April 2020. Mr. Scott has been in his current position since March 2023. Previously, he was Chief Marketing Officer with Byrider Franchising from April 2020 until March 2023, and prior to April 2020 with Advance in Raleigh, North Carolina.

Jeffrey L. Anderson: Vice President Finance

Mr. Anderson has been with Byrider Franchising since November 1999. He has been in his current position since January 2014.

Jennifer Kier: Senior Director of Franchising Operations

Ms. Kier has been with Byrider Franchising since July 1997. She has been in her current position as Senior Director of Franchising Operations since June 2023. Previously, she was Director of Franchise Operations from February 2021 until June 2023. She served as Franchise Operations Manager from August 2014 through January 2021.

Eric G. Dewey: Real Estate, Facility Management, Vendor & Procurement Executive

Mr. Dewey has been with Byrider Franchising since August 1998. He has been in his current position since November 2022. Previously, he was Strategy & Execution Executive for Byrider Franchising from April 2021 through October 2022, and VP of Collections for Byrider Franchising from January 2016 through March 2021.

The following individuals also serve on the Board of Directors for our ultimate parent, Byrider Holding Corp.:

Jesse Rogers: President and Member of Board of Directors of Byrider Holding Corp.

Mr. Rogers has been President and a member of the Board of Directors of Byrider Holding Corp. since May 2011. Mr. Rogers has been Co-Founder and Managing Director of Altamont Capital Partners located in Palo Alto, California, since its inception in 2010.

Keoni Schwartz: Secretary, Vice President, and Member of Board of Directors of Byrider Holding Corp.

Mr. Schwartz has been Secretary, Vice President, and a member of the Board of Directors of Byrider Holding Corp. since May 2011. Mr. Schwartz has been a Co-Founder and Managing Director of Altamont Capital Partners located in Palo Alto, California, since its inception in 2010.

Daniel Rudolph: Member of Board of Directors of Byrider Holding Corp.

Mr. Rudolph has been a member of the Board of Directors of Byrider Holding Corp. since May 2011. Mr. Rudolph has been an Operating Partner of Altamont Capital Partners located in Palo Alto, California, since March 2011.

Kristin Johnson: Member of Board of Directors of Byrider Holding Corp.

Ms. Johnson has been a member of the Board of Directors of Byrider Holding Corp. since April 2014. Ms. Johnson has been a Managing Director of Altamont Capital Partners located in Palo Alto, California, since September 2010.

Kevin Mason: Member of Board of Directors of Byrider Holding Corp.

Mr. Mason has been a member of the Board of Directors of Byrider Holding Corp. since April 2014. Mr. Mason has been a Managing Director of Altamont Capital Partners located in Palo Alto, California, since January 2021. Previously, he was Principal of Altamont Capital Partners from January 2017 through December 2020.

Jason Friedrichs: Member of Board of Directors of Byrider Holding Corp.

Mr. Friedrichs has been a member of the Board of Directors of Byrider Holding Corp. since December 2016. Mr. Friedrichs has been a Director of Altamont Capital Partners located in Palo Alto, California, since January 2014.

Aaron Tankersley: Member of Board of Directors of Byrider Holding Corp.

Mr. Tankersley has been a member of the Board of Directors of Byrider Holding Corp. since December 2016.

Amy Shenkan: Member of Board of Directors of Byrider Holding Corp.

Ms. Shenkan has been a member of the Board of Directors of Byrider Holding Corp. since December 2019. Ms. Shenkan is currently self-employed.

ITEM 3

LITIGATION

State of Ohio, ex rel Jim Petro Attorney General of Ohio vs. Byrider Sales of Indiana S, Inc., Byrider Franchising, Inc., Byrider Finance, Inc., Lakewood Car Credit Company, Lakewood Acceptance Corp., North Shore Auto Sales, Inc., North Shore Auto Financing, Inc., North Shore Phoenix Auto Sales, Inc., North Shore Phoenix Auto Financing, Inc., John Lance Motors, Inc., John Lance Motors Acceptance, Midwest Motors, Inc., MM Acceptance Corp., Magic Motors of Ohio, Inc., Forum Finance, Inc., RWV Sales Corporation, Approved Acceptance Corporation, AMT Auto Enterprise, Inc., Maxcredit Financial, Inc., R & M Auto Group, Inc., R & M Auto Finance, Inc., Rowland Motors, Inc., Rowland Marietta, Inc., JD Sales of Euclid, Inc., JDAC of Euclid, Inc., National Auto Group, Inc., and Motor Car Credit Co., Inc. (Cause No. 05CVH021505). On February 9, 2005, in the Court of Common Pleas, Franklin County, Ohio, the Attorney General of Ohio sought to enjoin us and our Ohio franchisees from violating the Consumer Sales Practices Act and Ohio's motor vehicle titling laws. For purposes of settlement only, a Complaint and Consent Judgment Entry and Order were filed concurrently on February 9, 2005, in the Court of Common Pleas, Franklin County, Ohio. The court enjoined us and our Ohio franchisees from violating the Consumer Sales Practices Act and Ohio's motor vehicle titling laws and ordered us and our Ohio franchisees to take remedial steps for the alleged violations.

Commonwealth of Kentucky ex rel Gregory D. Stumbo, Attorney General vs. James Maguire, J. Marc Maguire, Auto Acceptance Corporation, CNAC of Kentucky, Inc., J. Maguire Enterprises, Inc., Auto Acceptance, LLC, CNAC of Kentucky, LLC, J. Maguire Enterprises, LLC, and J.D. Byrider Systems, Inc. (Cause No. 04CI10575) filed on December 16, 2004, in Commonwealth of Kentucky, Jefferson Circuit Court, Division Nine. Complaint against J.D. Byrider Systems, Inc. and our Louisville franchisee alleging violation of Kentucky's Consumer Protection Act by a pattern of unfair and deceptive sales and financing practices engaged in by our Louisville franchisee, aided and abetted by unlawful sales and financing techniques developed by us. For purposes of settlement only, an Agreement and Consent Judgment Entry and Order were filed February 2006 in the Commonwealth of Kentucky, Jefferson Circuit Court, Division 7. The court enjoined J.D. Byrider Systems, Inc. and our Kentucky franchisees from violating the Kentucky Consumer Protection Act, the federal Truth in Lending Act, and the federal Magnuson Moss Warranty Act and ordered remedial steps for the alleged violations; we paid \$300,000.00 to the Attorney General as reimbursement, attorneys' fees and other costs of the investigation and litigation. The Louisville franchisee paid \$2.7 million in customer restitution. In addition, the Louisville franchisee agreed to provide a credit of \$500 on each customer account for vehicles purchased during 2000 through 2004. The Louisville franchisee is no longer a franchisee.

H. Jeffrey Baker, et al. v. Byrider Franchising, LLC, et al., JAMS Arbitration, Boston Division, Case No: 14000. On July 21, 2017, the former franchisees of a Byrider

dealership in Branford, Connecticut, CT102 LLC and Sixela LLC, and personal guarantor of those entities' franchise agreement, H. Jeffrey Baker, initiated an arbitration demand against Byrider Franchising, J.D. Byrider Systems, LLC, Byrider Holding Corp., Brad M. Malott, Michael K. Maenhout, Jeffrey B. Higgins, Jack J. Humbert, Thomas L. Welter, Jeffrey L. Anderson, Shannon Aldridge, Stephen J. Peterson, Jesse Rogers, Keoni Schwartz, Kevin Mason, and other former employees (collectively, the "Byrider Franchising Parties") with the Boston administrative office of JAMS. The arbitration demand alleges that certain Byrider Franchising Parties fraudulently induced claimants to (i) take certain actions after entering into their franchise agreement with Byrider Franchising, including select and develop a site for the dealership and enter into lender agreements and (ii) later enter into a mutual termination agreement of the franchise agreement. Claimants also allege that Byrider Franchising breached the franchise agreement by providing insufficient training and failing to hire qualified candidates for the franchised dealership. They further allege that suggested suppliers failed to provide product and that another nearby Byrider Franchising franchisee encroached on customer sales. Claimants assert claims for fraudulent inducement, breach of contract, breach of the covenant of good faith and fair dealing, improper termination, and violations of Indiana, Rhode Island, and Connecticut franchise investment and/or relationship statutes and Indiana and Rhode Island deceptive trade practices statutes. Claimants seek unspecified amount of compensatory and punitive damages, arbitration costs, expenses, attorneys' fees, and pre- and post-judgment interest. On September 1, 2017, Byrider Franchising asserted a counterclaim against the claimants for breach of the franchise agreement and personal guarantee arising out of their failure to operate the franchised dealership for the franchise agreement's full twenty-year term. Byrider Franchising seeks damages of at least \$2 million, and all of the Byrider Franchising Parties seek their costs and expenses, including attorneys' fees, incurred by them in this matter. JAMS preliminary ruled that the final hearing will be held in Indianapolis, Indiana, at a date to be determined. Effective May 1, 2018, the parties entered into a confidential settlement agreement under which Byrider Franchising, J.D. Byrider Systems, LLC, and Byrider Holding Corp. agreed to pay claimants \$500,000 to fully settle all claims and counterclaims against all parties. The first payment of \$250,000 was made on May 11, 2018, and the remaining payments will be made in equal monthly installments. Claimants agreed to de-identify the former franchised dealership and comply with the franchise agreement's post-termination noncompetition covenant. The parties also exchanged general releases. After claimants have received the full settlement amount, the parties will move to dismiss all claims and counterclaims with prejudice.

Byrider Franchising, LLC v. Anthony Marcantonio, et al., American Arbitration Association, Indianapolis, Indiana, No: 01-19-0002-6424.

On August 22, 2019, Byrider Franchising, LLC f/k/a Byrider Franchising, Inc. ("Byrider") filed a Demand for Arbitration with the American Arbitration Association against the former franchisees of a Byrider dealership in Dover, Ohio, R & M Auto Group, Inc., R & M Auto Finance, Inc., and personal guarantor of those entities' franchise agreement, Anthony Marcantonio (collectively the "Marcantonio Parties"), asserting material breaches of the parties' franchise agreement and related guaranty. Byrider asserted that these breaches

resulted from the Marcantonio Parties' failure to pay past-due amounts owed under the franchise agreement and for violations of the franchise agreement's post-termination obligations. On November 9, 2019, the Marcantonio Parties filed counterclaims and third-party claims against Byrider, Byrider Holding Corp., Craig S. Peters, Brad N. Malott, Steven R. Mark, Warren Lenard, Jeffrey B. Higgins, Jack J. Humbert, J. Chris Hadley, Jeffrey L. Anderson, Shannon Aldridge, Stephen J. Petersen, Jesse Rogers, Keoni Schwartz, Daniel Rudolph, Kristin Johnson, Kevin Mason, Jason Friedrichs, and Aaron Tankersley (collectively, the "Byrider Franchising Parties"). The Marcantonio Parties alleged that the Byrider Franchising Parties failed to provide services required under the franchise agreement and failed to uniformly enforce systemwide standards, programs, and use of the Byrider trade name, service name, and trademarks, allegedly resulting in other franchisees unfairly competing with the Marcantonio Parties. Based on those allegations, the Marcantonio Parties asserted claims for breach of contract, breach of the covenant of good faith and fair dealing, allowance of tortious interference by other Byrider franchisees, breach of fiduciary duty, fraud, violation of the Indiana Franchise Law (Indiana Code § 23-2-2.5-27), and violation of the Ohio Business Opportunity Purchasers Protection Act (Ohio Rev. Code § 1334.03). Without admitting liability, the parties entered into a settlement agreement on July 21, 2020 under which Anthony Marcantonio paid Byrider Franchising \$25,000 in lump sum within seven days after signing the settlement agreement and further promised to pay Byrider Franchising \$169,000 in monthly installments pursuant to a signed promissory note. The parties dismissed the arbitration with prejudice on July 24, 2020.

Venturcap Investment Group V. LLC, et al. v. Byrider Franchising, LLC, No. 02-18-0004-3851 (American Arbitration Association, Providence, Rhode Island). On November 27, 2018, the claimants, a current franchisee, filed a Request for Mediation and a Demand for Arbitration against Byrider Franchising and sought the enforcement of its indemnification obligation under the franchise agreement, an order directing Byrider Franchising to honor its future indemnification obligations under the franchise agreement, and an unspecified amount of damages, fees, and costs. The claimants alleged that, under the franchise agreement, Byrider Franchising is obligated to indemnify the franchisee's cost and expenses arising out of a lawsuit initiated against it by the Massachusetts Attorney General for alleged unfair and deceptive acts and practices related to the conduct of the Byrider franchise (the "MAG Lawsuit"). The parties entered into a settlement agreement on February 26, 2020 under which Byrider Franchising will pay: (1) the claimants a total amount of \$750,000 into escrow to be released upon settlement of the MAG Lawsuit, consisting of: (i) \$375,000 in lump sum payment; and (ii) \$375,000 in credit for future royalty fee payments; and (2) one-third of the claimants' attorneys' fees and costs incurred in connection with the MAG Lawsuit. The parties dismissed the arbitration with prejudice on March 4, 2020.

Byrider Franchising, LLC v. JDB Utah, LLC, No. 1345001472 (Judicial Arbitration and Mediation Services, Indianapolis, Indiana). On June 17, 2020, Byrider Franchising filed an Amended Demand for Arbitration with JAMS against former franchisees and their affiliates and owners, who continued to operate in their former Byrider franchise locations in Texas and Utah (collectively, "Bradford Parties") after terminating their franchise

agreements. On March 23, 2021, Byrider Franchising filed a Second Amended Statement of Claim, asserting material breaches of the parties' franchise agreements and area development agreement. Byrider Franchising sought damages for past due amounts owed and lost future damages, attorney's fees, interest, and arbitration costs, as well as preliminary and permanent injunctive relief. After filing their answer on July 13, 2020, generally denying each of the asserted claims and further asserting certain affirmative defenses, the Bradford Parties, on July 17, 2020, asserted three counterclaims against Byrider Franchising: (i) breach of each franchise agreement; (ii) breach of the implied covenant of good faith and fair dealing; and (iii) violation of Utah's Consumer Sales Practices Act. Without admitting liability, the parties entered into a settlement agreement on June 21, 2021, pursuant to which the Bradford Parties agreed to pay Byrider Franchising \$1,500,000 in two installments: the first installment of \$900,000 being due at signing, and the second installment of \$600,000 being due two years later. However, if the Bradford Parties comply with their obligations under the settlement agreement during such two-year period, Byrider Franchising has agreed to waive the second installment payment.

Other than these 6 actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchise Agreement. You will pay a \$60,000 lump sum franchise fee when you sign the Franchise Agreement. This initial franchise fee is refundable if Byrider Franchising receives written notice from you within 60 days from the date of the Franchise Agreement and you sign the form of general release required by Byrider Franchising. If you purchase additional franchises, you must pay the then-current nonrefundable initial franchise fee for each additional franchise. As of the date of this Disclosure Document, the initial franchise fee for each additional franchise is \$35,000 (if you are a Traditional Franchisee, as provided below) or \$40,000 (if you are an Ultra Franchisee, as provided below). The initial franchise fee for additional franchises is subject to change at the discretion of Byrider Franchising without prior notice. Except as described above, the initial franchise fee is not refundable under any circumstances.

Other than for Byrider Businesses operated by affiliates or other related companies (where the initial franchise fee is and has been waived) the initial franchise fee is and has been uniform.

Reduced Franchise Fee for Veterans. If you are a veteran of the U.S. Armed Forces, your initial franchise fee will be reduced by \$10,000. For purposes of determining

whether you qualify, a “veteran” means a person who served in the active military, naval, air, or space service, and who was discharged or released therefrom under conditions other than dishonorable. If this applies to you, you will sign the Veteran Discount Addendum (attached as Exhibit L).

Area Development Agreement Rider. If you are granted the right to purchase additional franchises, you must sign the applicable Area Development Agreement Rider. If you or your affiliate(s) have signed a Franchise Agreement with Byrider Franchising prior to January 1, 2021 for at least one Byrider Business, and you are otherwise in compliance with that agreement and all other franchise agreements with Byrider Franchising, you will be considered a “Traditional Franchisee.” If you or your affiliate(s) have not signed a Franchise Agreement with Byrider Franchising prior to January 1, 2021 for at least one Byrider Business, then you will be considered a “Ultra Franchisee.” If you are a Traditional Franchisee, you will sign the Traditional Area Development Agreement Rider, attached to this disclosure document as Exhibit C-1 (the “Traditional Area Development Agreement”), or if you are an Ultra Franchisee, you will sign the Ultra Area Development Agreement Rider, attached to this disclosure document as Exhibit C-2 (the “Ultra Area Development Agreement”).

Under the Traditional Area Development Agreement, you must pay us a development fee of \$17,500 multiplied by the number of Byrider Businesses to be developed under the Development Schedule in addition to the first Byrider Business. Under the Ultra Area Development Agreement, you must pay us a development fee of \$20,000 multiplied by the number of Byrider Businesses to be developed under the Development Schedule in addition to the first Byrider Business. The applicable development fee is due and payable at the time you sign the respective Area Development Agreement. We credit the development fee, in \$17,500 (for Traditional Franchisees) or \$20,000 (for Ultra Franchisees) increments, against the respective initial franchise fee that is due as Franchise Agreements are signed until the aggregate amount of such credits equals the initial development fee you paid to us under the respective Area Development Agreement. We will fully earn the development fee due under the respective Area Development Agreement when paid, and you must pay us the development fee in one lump sum. The fee is non-refundable.

Refer a Franchise Promotions. From time to time, Byrider Franchising offers a “Refer a Franchise” promotion to its existing Byrider Franchising franchisees. If you are referred to us by an existing franchisee and you open your Byrider business within 18 months of that referral, we will pay that franchisee a referral fee in the amount of \$10,000.

ITEM 6

OTHER FEES

Name of Fee ¹	Amount	Due Date	Remarks								
Ultra Royalty Fee	See Remarks	Monthly	<u>Gross Sales (Byrider Vehicle Sales)</u>: (i) during first year of operation of the Business, \$5,500 per month; and (ii) after first year of operation of Business, the greater of \$7,800 or 1% of Gross Sales (Byrider Vehicle Sales). See Note 2. <u>Gross Receipts (CNAC and Service Center Collections)</u>: After the first year of operation of the Business, 1.90% of your Gross Receipts (CNAC) throughout the remaining term of the Franchise Agreement, except, if you're signing your third (or more) Franchise Agreement, you will pay 1.65% of your Gross Receipts (CNAC and Service Center Collections), so long as you are in compliance with all Franchise Agreements with Byrider Franchising and you continue to operate at least two additional Byrider Businesses that are open to the public. If you fail to meet these conditions, you will pay 1.90% for the remaining term of your third (or more) Franchise Agreement. <u>Unaffiliated Assignment of Retail Installment Contracts</u>. You may sell and assign retail installment contracts to unaffiliated third parties (each or collectively "Third Party"); provided, however: (i) you must obtain our approval of the Third Party, which we shall not unreasonably withhold; and (ii) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of your Gross Sales 12-month rolling monthly average. <u>Third Party Financed Sales Fee</u>. You shall pay to us the amount stated below per contract sold or assigned at time of vehicle sale from your dealer entity to Third Party ("Third Party Financed Sales Fee") based on the vehicle selling price: <table><tr><td><u>Vehicle Selling Price</u></td><td><u>Third Party Financed Sales Fee</u></td></tr><tr><td>\$0 - \$5,000</td><td>\$100</td></tr><tr><td>\$5,001 - \$10,000</td><td>\$200</td></tr><tr><td>\$10,001+</td><td>\$300</td></tr></table> See also Notes 2, 3 and 4 below.	<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>	\$0 - \$5,000	\$100	\$5,001 - \$10,000	\$200	\$10,001+	\$300
<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>										
\$0 - \$5,000	\$100										
\$5,001 - \$10,000	\$200										
\$10,001+	\$300										

Name of Fee¹	Amount	Due Date	Remarks
Advertising Fee	\$2,450	Monthly	This is paid to Ad Group. The Ad Group may increase the monthly contribution, but such increase(s) will not exceed \$400.00 in the aggregate during any 24-month period. The Advertising Fee includes Enhanced E-mail, Facebook page management, Orbee (and GoJDB leads).
National Advertising Fund contribution	Currently, you are not required to contribute to any National Advertising Fund	If due, monthly	Byrider Franchising may require you to contribute to a National Advertising Fund, if established. However, your total contributions to any National Advertising Fund (if established) are subject to the Advertising Spend Cap (4% of your Gross Sales (Byrider Vehicle Sales)). See Note 5 below.
Transfer	\$5,000	Before transfer takes place	Covers the cost of training the new franchisee and other costs should you sell, transfer or assign your interest in the Business.
Byrider Franchising Proprietary Computer Software Fees	See Remarks	Varies under the circumstances	Retail Installment Contract Usage: \$3.95 per form, billed quarterly in advance based upon expected usage; Finance by Phone: \$2.95 per lead; Credit/Debit card: \$0.27 - \$0.38 per transaction; Moneygram: \$1.00 per transaction; Notice of Incompleteness: \$1.00 to \$1.35 per consumer letter, billed quarterly; Google Access and Services: 108.00 annually per active user; Remote VPN Software: \$350 per location each user. See Note 6 below.
Interest	As accrues at the highest legal rate	When past-due fees exist	All Royalty Fees, Advertising Fees, and other amounts you owe to Byrider Franchising bear interest after the date these Fees are due.
Annual Meeting Expenses	Pro rata share of actual cost of event, which typically range between \$595 and \$920 for each meeting	Upon billing by Byrider Franchising	Reimbursement for expense of meals, meeting rooms, etc.
Out of Area Service Handling Fee	The customary fee is \$250 per month.	Upon billing by Byrider Franchising	Optional program to provide logistics coordination and assistance for customers that break down outside their standard service area.

Name of Fee¹	Amount	Due Date	Remarks
Byrider Lead Exchange Fee	The customary fee ranges from \$9 - \$21 per lead.	Upon billing by Byrider Franchising	Optional program to provide a national lead exchange.
Prompt Payment Center	The customary fee ranges from \$99 - \$750 per month based on portfolio size.	Upon billing by Byrider Franchising	See Note 7 below.
Webchat	The customary fee is \$250-\$300 per month depending on chat only feature or inclusive of "schedule now".	Upon billing by Byrider Franchising	Optional program to provide webchat.
Rage Dialer	The customary fee is \$300 per month.	Upon billing by Byrider Franchising	Optional program to connect salespeople with shoppers.
Digital Marketing Management	20% of the advertising spend for multipoint; 13% plus \$250 for single point.	Invoiced monthly by Dealer Services	Managed by third party vendor Found Search Marketing, Inc., this optional service oversees digital marketing strategies for franchisees. In addition, Found charges onboarding fees for the first two months that are in lieu of management fees during that period.
Attorneys' Fees	Vary under the circumstances	As incurred	If you or Byrider Franchising files a suit to enforce a provision of the Franchise Agreement, the losing party pays the prevailing party's reasonable attorneys' fees.
Insurance	Reimbursement of our costs, plus 10% administrative fee	As incurred	If you do not obtain the required insurance coverage, Byrider Franchising may secure coverage for you and charge you the insurance costs and Byrider Franchising's expenses.

Name of Fee¹	Amount	Due Date	Remarks
Indemnification	Cost of claims and of defending claim vary depending on the circumstances	Upon notification by Byrider Franchising	You indemnify Byrider Franchising and hold Byrider Franchising harmless from and against all claims and costs of defending claims that arise, either directly, or indirectly, from the operation of your Business. See also Note 8 below.
Penalty for Underpayment of Fees	Vary under the circumstances	Upon an audit showing a discrepancy between your books and your royalty payments to Byrider Franchising	See Note 9 below.
Training and/or Retraining	Initial Training Program: \$2,500 for additional employees (see Remarks); typical fees for other various training courses range from \$500 to \$1,500 per course.	When services are rendered	Various courses are offered. You pay for costs such as food, hotel, and travel. Your Designated Manager is required to attend the Initial Training Program. The Initial Training Program is available for the Designated Manager and up to three additional employees at no charge. Byrider Franchising will charge you a nonrefundable fee in the amount of \$2,500 for each additional employee.
Reputation Management	Vary under the circumstances	Monthly	Byrider Franchising sends customer reviews via text message to sales and service customers; pricing ranges from \$200-\$600 based on number of accounts.
Compliance Audit	\$500 – first failure \$2,500 – second failure \$10,000 – third failure	As incurred	If you fail a compliance audit (meaning a score of less than 80%) conducted by Byrider Franchising, you must pay Byrider Franchising \$500 plus travel, food and lodging expenses for second audit. If you fail your second audit, you must pay Byrider Franchising \$2,500 plus travel, food and lodging expenses for third audit. If you fail third audit, you must pay Byrider Franchising \$10,000 and Byrider Franchising may terminate the Franchise Agreement.

Name of Fee¹	Amount	Due Date	Remarks
Fee for Hiring Byrider Franchising's or Other Franchisee's Employees	Three times the annual compensation of such employee	Upon the date you hire such employee	If, during the term of your Franchise Agreement and for a one-year period after the termination or expiration of the Franchise Agreement, you hire any person who is an employee of, or who, within one year of being hired by you, was previously employed by, Byrider Franchising (or any of its affiliates) or another Byrider franchisee, without the written consent of Byrider Franchising (or such affiliate) or such Byrider franchisee, then you must pay a fee equal to three times the annual compensation of the employee you hire to Byrider Franchising (or its affiliate) or the Byrider franchisee.
Development Schedule Extension Fee	\$5,000 per extension	When requested	If you sign an Area Development Agreement, and you are unable to develop a Byrider Business in accordance with the Development Schedule, you may request, and Byrider Franchising may grant you a six-month extension and charge you an extension fee, instead of terminating the Area Development Agreement. The extension fee is paid in a lump sum, due when Franchisee's request is submitted, and is nonrefundable.

-
- 1/ All fees are payable to Byrider Franchising and are uniform to all franchisees receiving this Disclosure Document. The fees are non-refundable unless otherwise stated. During the term of the Franchise Agreement, Byrider Franchising may offer optional services not currently contemplated for which Byrider Franchising may charge a fee. Byrider Franchising reserves the right to charge you a technology fee or an accounting fee for analyzing and summarizing your accounting information and/or for providing financial reports and related reports or services. In addition, if Byrider Franchising modifies the System, you pay for those required modifications.
- 2/ You may only sell and assign retail installment contracts to unaffiliated third-parties if (a) you obtain Byrider Franchising's approval of the unaffiliated third-party prior to each sale or assignment, and (b) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of the Gross Sales (Byrider Vehicle Sales) during any particular calendar month.
- 3/ If you are an Ultra Franchisee, you will pay the Ultra Royalty Fee provided above. Note, the \$7,800 minimum monthly payment provided above in connection with the Gross Sales (Byrider Vehicle Sales) component of the Ultra Royalty Fee is for the 2023-2024 calendar years. That minimum monthly payment will increase by 4.0% on January 1st of every other year (for example, it will increase by 4.0% on

January 1, 2025 and increase by another 4.0% on January 1, 2027, etc.) throughout the term of the Franchise Agreement.

If you are a Traditional Franchisee, you will pay the Traditional Royalty Fee as follows:

Gross Sales (Byrider Vehicle Sales): (i) for retail installment contracts assigned to your affiliated CNAC entity, greater of \$6,000 or 2.5% of Gross Sales (Byrider Vehicle Sales) with a maximum monthly payment of: \$8,500 for “Legacy Founder Franchisees” and “Interim Founder Franchisees;” or \$10,000 for “Legacy Interim Founder Franchisees” and Standard Franchisees;” and (ii) for retail installment contracts assigned to an approved unaffiliated third-party with contract values, in the aggregate, of not more than 10% of your Gross Sales 12-month rolling monthly average, the following Third Party Financed Sales Fee based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

Gross Receipts (CNAC and Service Center Collections): 1% of Gross Receipts (CNAC and Service Center Collections).

Volume Surcharge: \$105.40 for every vehicle sold at retail (whether financed or sold for cash) in excess of 75 vehicles at your Business per calendar month.

If this applies to you, you will sign the Traditional Royalty Fee Addendum (attached as Exhibit K). The Traditional Royalty Fee Addendum will provide your Category Designation before you sign.

If you sign the Traditional Royalty Fee Addendum, your Royalty Fee payment will be subject to the following maximum monthly payments (the “Monthly Combined Royalty Cap”):

Category Designation	Monthly Combined Royalty Cap*
Legacy Founder Franchisee	\$10,540 per month
Interim Founder Franchisee	\$10,540 per month
Legacy Interim Founder Franchisee	\$12,648 per month
Standard Franchisee	\$12,648 per month

However, if you or your affiliate(s) have signed a Franchise Agreement prior to January 1, 2021 and would otherwise qualify for the Traditional Royalty Fee, you may elect (if you have not already previously elected) to pay the Multi-Location

Flat Rate (“MLFR”), so long as each of your (or your affiliates’) Byrider businesses have at least 51% in common equity ownership and voting control. You (and your affiliates) must continue to operate at least two Byrider businesses and remain in compliance with all franchise agreements and all other agreements with Byrider Franchising (or its affiliate) to maintain the MLFR option. If you no longer qualify for the MLFR, you (and your affiliates) will revert to paying the Traditional Royalty Fee. The MLFR is calculated as follows:

Number of Byrider Franchised Locations	Legacy Founder Franchisee or Interim Founder Franchisee	Legacy Interim Founder Franchisee or Standard Franchisee
1	\$10,540.00	\$11,594.00
2	\$10,540.00	\$10,540.00
3	\$9,486.00	\$9,486.00
4	\$8,432.00	\$8,432.00
5	\$7,378.00	\$7,378.00
6	\$6,324.00	\$6,324.00
7	\$6,324.00	\$6,324.00
8	\$6,324.00	\$6,324.00
9	\$6,324.00	\$6,324.00
10	\$6,324.00	\$6,324.00
10+	\$6,324.00	\$6,324.00

All dollar figures represent fixed dollar Royalty Fee due per month for the Business Location and any other Byrider business locations that Franchisee (or its affiliate(s)) operate. The amount owed for each location is calculated by dividing the sum of the amounts designated in the Category Designation by the number of Byrider Franchised Locations. For example, if Franchisee that has a “Standard Franchisee” Category Designation will pay a Royalty Fee of \$10,540 per month, calculated as follows: (a) \$11,594 for the first Byrider Franchised Location, plus \$10,540 for the second Byrider Franchised Location, plus \$9,486 for the third Byrider Franchised Location (in this case, \$31,620), (b) divided by the number of Byrider Franchised Locations that Franchisee (or its affiliate(s)) operate (in this case, three locations), which, in this case, would require (i) Franchisee to pay a Royalty Fee of \$10,540 per month for the Franchisee’s Business under the Franchise Agreement and (ii) Franchisee (or its affiliate(s)) to pay \$10,540 for each of the other Byrider Franchised Locations.

Unaffiliated Assignment of Retail Installment Contracts. You may sell and assign retail installment contracts to unaffiliated third parties (each or collectively “Third Party”); provided, however: (i) you must obtain our approval of the Third Party, which we shall not unreasonably withhold; and (ii) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of your Gross Sales 12-month rolling monthly average.

Third Party Financed Sales Fee. You shall pay to us the amount stated below per contract sold or assigned at time of vehicle sale from your dealer entity to Third Party ("Third Party Financed Sales Fee") based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

If you elect (or have previously elected) to pay the MLFR, you will sign the Multi-Location Flat Rate Option Addendum (attached as Exhibit J). The Multi-Location Flat Rate Option Addendum will provide your Category Designation before you sign. If you have previously elected to pay the MLFR, and you have already been assigned a Category Designation, that same Category Designation shall continue to apply, which will be reflected on the Multi-Location Flat Rate Option Addendum.

Byrider Franchising may increase: (a) the Volume Surcharge and Monthly Combined Royalty Cap under the Traditional Royalty Fee Addendum, and (b) the Royalty Fee under the Multi-Location Flat Rate Option Addendum, by the National Consumer Price Index for All Urban Consumers (CPI-U) – All Items (1982-1984 = 100) for the most recent 12-month period from October through September as published by the U.S. Department of Labor, or a successor index. Any increase will be uniformly applied to all franchisees under the same form of franchise agreement. Byrider Franchising will notify you in writing on or before December 1st of each calendar year as to any changes in the amounts for the following calendar year.

- 4/ The term "Gross Sales (Byrider Vehicle Sales)" means the full purchase price of all vehicles sold at retail (whether financed or sold for cash), including charges for vehicle service contracts, documentary fees, and all other fees or charges which accompany the sale, minus overallowances given on trade-in vehicles. For example, the customer's purchase price of the vehicle is \$10,000 and the customer has a trade in with an actual cash value of \$1,000 and assuming no vehicle service contract or other charges. However, the Franchisee offers \$1,500 for the trade in. The "overallowance" is the amount offered of \$1,500 less the actual cash value of \$1,000 equaling \$500. Therefore, "Gross Sales (Byrider Vehicle Sales)" in this example is the full purchase price of \$10,000 less the overallowance of \$500 which equals \$9,500. Not included in "Gross Sales (Byrider Vehicle Sales)" are receipts from "wholesaled vehicles." Wholesaled Vehicles are defined as vehicles sold for resale and for which no sales tax is required.

The term "Gross Receipts (CNAC and Service Center Collections)" means all monies received, such as payments from customer accounts, deferred down payments, payments from bulk sale of customer accounts, and including all other amounts received, except cash down payment received prior to delivery of the

vehicle; plus, all monies received in connection with the Service Center, including deductible amounts.

- 5/ Your contributions to any National Advertising Fund (if established) and your Local Advertising Requirement (defined in Item 11) will not collectively exceed 4% of your Gross Sales (Byrider Vehicle Sales).
- 6/ You will pay these recurring fees under the Software Services and User Agreement provided on Exhibit E to the Franchise Agreement.
- 7/ This program provides a centralized call center that collects and processes on time CNAC customer payments. Your enrollment in this program is optional. If you, or your affiliate, already operate a Byrider business, you will be required to pay to participate in this optional program. If you are signing your first Franchise Agreement, while still optional, you may participate in this program at no charge by providing written notice to Byrider Franchising. However, at Byrider Franchising's discretion, you will be required to begin paying the fee above in order to remain in the program upon written notice from Byrider Franchising.
- 8/ You must indemnify Byrider Franchising for any claims or costs incurred by Byrider Franchising in defending claims against your Business. Likewise, Byrider Franchising will indemnify you for claims against you and/or your Business that arise from your authorized use of the Marks or from Byrider Franchising's gross negligence or willful misconduct or from any mandatory specification, standard or procedure contained in the Manual that is determined to be unlawful. As long as you give timely notice of these claims to Byrider Franchising, have complied with the Franchise Agreement and Byrider Franchising has participated in the proceeding as it deems necessary, Byrider Franchising pays the reasonable costs that arise from the action.

No other fees or payments are to be paid to Byrider Franchising, and Byrider Franchising will not impose or collect any other fees or payments for any third party, except as above stated.

- 9/ If an audit shows no discrepancy, Byrider Franchising pays the cost of the audit. If discrepancy is shown, you pay the cost of the audit. You also immediately pay Byrider Franchising the amount owed plus interest at the highest rate allowed by law. If the discrepancy shows that you underpaid Byrider Franchising by more than 2%, and Byrider Franchising concludes that the under payment was intentional or grossly negligent, you promptly pay Byrider Franchising an amount equal to 3 times the Royalty Fees and/or the Advertising Fees that are due, as well as interest at the highest rate allowed by law and all costs and expenses related to the audit by Byrider Franchising representatives including salaries, travel costs, room and board and travel fees.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – SINGLE BYRIDER BUSINESS

Expenditures	Estimated Amount or Estimated Low-High Range*	When Payable	Method of Payment	To Whom Paid
Initial Franchise Fee (1)	\$60,000	Upon Execution of Franchise Agreement	Lump sum	Byrider Franchising
Starter Kit (2)	\$0- \$2,500	As arranged	Lump sums as incurred	Approved suppliers
Rent (3 months) (3)	\$30,000-\$60,000	As arranged	Lump sum	Suppliers
Furniture, Fixtures and Equipment (4)*	\$1,500-\$50,000	As arranged	Lump sums as incurred	Suppliers
Service Center Equipment (5)*	\$2,000-\$70,000	As arranged	Lump sums as incurred	Suppliers
Signs and Awnings (6)*	\$2,000-\$50,000	As arranged	Lump sums as incurred	Approved suppliers
Security Deposit for Property and Utilities (7)	\$2,000-\$10,000	As arranged	Lump sums as incurred	Lessor, utility companies
Opening Inventory of Vehicles (8)	\$75,000-\$100,000	As incurred	Lump sums as incurred	Suppliers
Advertising and Grand Opening (9)	\$18,500-\$30,000	As incurred	Lump sum	Suppliers as incurred
Technology/ Phone/Security Systems (10)*	\$5,000-\$40,000	Upon installation	Lump sum	Approved suppliers
Bonds, Licenses and Business Permits (11)	\$1,000-\$5,000	As incurred	Lump sums as incurred	Agencies
Additional Funds – 6 months, see Note (12)	\$750,000-\$1,100,000	As incurred	Lump sums as incurred	Agencies

Expenditures	Estimated Amount or Estimated Low-High Range*	When Payable	Method of Payment	To Whom Paid
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$947,000-\$1,577,500			

*The low figures for "Furniture, Fixtures and Equipment," "Service Center Equipment," "Signage and Awning" and "Technology System" represent the first three months' payment for leasing. The high figures represent the full purchase price of these items at the high range estimated investment. The decision whether to lease, mortgage or to purchase these requirements is a business decision you must make depending on your financial resources and financing arrangements you make. Whether you receive adequate financing depends upon, among other factors, your overall creditworthiness. Byrider Franchising may assist and advise you on financing matters with third parties for leasing or purchasing initial items or otherwise, but Byrider Franchising is not obligated to do so. As noted in Item 5, the initial franchise fee is refundable if Byrider Franchising receives written notice from you within 60 days from the date of the Franchise Agreement and you sign the form of general release required by Byrider Franchising. All other amounts reflected in this Item 7 will not be refundable unless you are able to negotiate a refund with the particular supplier.

Explanatory Notes (The following numbered items correspond to the numbered items in the chart above.)

1. The initial franchise fee is refundable if Byrider Franchising receives written notice from you within 60 days from the date of the Franchise Agreement and you sign the form of general release required by Byrider Franchising. If you have already signed a Franchise Agreement, the initial franchise fee for each additional franchise that you acquire is \$35,000 for Traditional Franchisees or \$40,000 for Ultra Franchisees. If you are a veteran of the U.S. Armed Forces, your initial franchise fee will be reduced by \$10,000 (see Item 5).

2. At your option, you may purchase a starter kit from our approved suppliers, which currently contains posters, menu boards, springboards, and other internal decorations.

3. The figures in the charts assume you will rent the space for your store and are based on our estimates of the cost of your rent for the premises. The ideal property is approximately 1.5 – 2 acres and the space for your on-premises building typically contains between 3,500 and 6,000 square feet. Rents will vary depending on factors, including size, conditions, location of the premises, the local real estate market conditions, and competition for the rent space. The figures in the charts include the first

three months of rent at an estimated cost of \$26-\$30 per square foot per year for your on-premises building. In addition, some landlords may require additional security deposits or rental payments when you sign a lease agreement. You should carefully investigate and evaluate all the potential costs associated with a particular franchise location. The estimates provided in the charts do not include construction costs. The actual amounts you pay under the lease agreements will vary depending on the size of the store, the types of charges allocated to tenants, your ability to negotiate with landlords, and the prevailing rental rates in the geographic region.

If you choose to purchase real property on which to build your store, your initial investment will most likely be higher than what we estimate above. However, it is difficult to estimate real estate costs, as such costs vary widely by reason of location, type of market, size of parcel, competitive market conditions and type of interest acquired. Additional costs may include legal fees and title recording expenses, all which vary by location.

4. Office furniture and equipment includes furnishings and office decorations, copy machines, fax machines, and other customary office supplies for both the Byrider sales and the CNAC finance offices. The low figure assumes a lease of all office furniture and equipment.

5. The service center has three to six lifts and other equipment, such as a brake lathe, tire balancer, key cutter, etc., which total approximately \$2,000-\$70,000. The low figure assumes a lease of all equipment.

6. You must use signs and awnings with the trademarks that conform with Byrider Franchising's requirements and local zoning laws. The low figure assumes a lease of signage and awnings.

7. Lessor and utility companies may require that you place a deposit before occupation of the business location and before installing telephone, gas, electricity and related utility services. These deposits may be refundable in accordance with the agreements made with the lessor and utility companies. This cost may vary depending upon your local vendors.

8. The amount invested in an initial supply of vehicle inventory depends upon the actual sales volume desired and the cost of vehicles in specific markets. Typically, franchisees will acquire floor plan financing for inventory, which encompasses this estimated range. However, if you elect to rather purchase inventory outright, Byrider Franchising estimates those costs to be up to \$300,000, which is not reflected in the chart above.

9. You must obtain Byrider Franchising's approval for promotions and advertising programs for your grand opening. In addition, you must pay the advertising fees.

10. You will pay for the cost of third-party maintenance for hardware and software. A multi-line phone system will be required to support customers. A security

system will also be necessary, including a safe. The low figures assume a lease of equipment and systems.

11. Regulatory agencies in each state may require you to obtain a dealer's license, finance license, bond, zoning licenses and other business permits.

12. This amount reflects the required working capital for the first six months you operate your business. The majority of the working capital is required to fund your CNAC finance division. The amount required during these six months varies, generally between \$650,000 and \$1,000,000, depending mostly upon the average number of vehicles sold each month and the terms negotiated with any lenders. The additional funds include payroll costs, additional inventory, training, and other typical operating costs during the six-month opening period. Your CNAC finance division will require between \$1 million and \$7 million in working capital as you grow your receivables portfolio over the first three years of operation. This is necessary to allow your CNAC to fund the credit extended to each customer who buys a used vehicle from your Byrider. Your working capital requirements will be affected by your sales volume and customer deal structure.

13. Byrider Franchising relied upon over 30 years of business experience to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. Byrider Franchising does not offer financing directly or indirectly for any part of the initial investment; although assistance may be provided to obtain financing, Byrider Franchising is not obligated to do so. The availability and terms of financing depends on many factors, such as the availability of financing generally, your creditworthiness, collateral you may have and lending policies of financial institutions from which you may request a loan.

YOUR ESTIMATED INITIAL INVESTMENT –

AREA DEVELOPMENT AGREEMENT RIDER

Expenditures	Estimated Amount or Estimated Low-High Range* (Traditional Franchisee)	Estimated Amount or Estimated Low-High Range* (Ultra Franchisee)	When Payable	Method of Payment	To Whom Paid
Development Fee (1)	\$17,500-\$87,500	\$20,000-\$100,000	Upon Execution of Area Development Agreement	Lump sum	Byrider Franchising
Total	\$17,500-\$87,500	\$20,000-\$100,000			

Explanatory Notes (The following numbered items correspond to the numbered items in the chart above.)

1. The actual amount of the Development Fee is a function of the number of Byrider businesses you commit to developing under the applicable Area Development Agreement. The Development Fee under the Traditional Area Development Agreement is \$17,500 multiplied by the number of franchises that you are obligated to acquire to satisfy your development schedule. The Development Fee under the Ultra Area Development Agreement is \$20,000 multiplied by the number of franchises that you are obligated to acquire to satisfy your development schedule. While Byrider Franchising and you may agree to deviate from it, the standard Area Development Agreement will require you to commit to acquiring between 1 and 5 franchises, in which case the Development Fee will be \$17,500 or \$20,000 (for a 1-franchise commitment), \$35,000 or \$40,000 (for a (2-franchise commitment), \$52,500 or \$60,000 (for a 3-franchise commitment), \$70,000 or \$80,000 (for a 4-franchise commitment) or \$87,500 or \$100,000 (for a 5-franchise commitment). The Development Fee is fully earned by Byrider Franchising upon receipt and is not refundable, but Byrider Franchising will credit it, in \$17,500 (for Traditional Franchisees) or \$20,000 (for Ultra Franchisees) increments, against the Initial Franchise Fees that become due as you execute Franchise Agreements with Byrider Franchising.

The investment shown in this chart does not include the investment required to open a Byrider Business. Refer to the preceding chart for those numbers.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

A. Proprietary Computer Software and Starter Kit. You must license Byrider Franchising Proprietary Computer Software from Byrider Franchising and enter into a Software Services and User Agreement (see Exhibit E attached to the Franchise Agreement) with Byrider Franchising for ongoing service and support to the Proprietary Software and all other components of the technology system. Byrider Franchising does not provide lease packages for its Proprietary Software but may provide you with a list of third parties that offer lease packages for the entire technology system as described in Item 11. Any financing you arrange for the purchase or lease of the technology system may not contain terms that encumber the Proprietary Software in any way. Under no circumstances will the ownership rights to the Proprietary Software change from Byrider Franchising to you or to a third party.

You may also purchase a starter kit from Byrider Franchising's approved suppliers for a cost of approximately \$2,500. This kit is assembled to facilitate the start-up phase and general operation of your Business. The starter kit currently contains posters, menu boards, springboards, and other internal decorations.

You are not required to purchase or lease any other computer equipment or software from Byrider Franchising or Byrider Franchising's designated sources other than AnyConnect for VPN/NPA services to use the Proprietary Software.

B. Compliance with Specifications. Byrider Franchising provides you with specifications for building exterior and interior and exterior signs, awnings and decorating accessories that will be required for the Business. You may purchase or lease original and replacement signs and decorating materials and services that meet these specifications from any source. If you propose to purchase or lease any sign or decorating materials not approved by Byrider Franchising, you must first notify Byrider Franchising. Byrider Franchising may then require you to submit sufficient specifications, photographs, drawings and/or other information and samples to determine whether the sign or decorating materials meets Byrider Franchising's specifications. Byrider Franchising is entitled to reasonable compensation and reimbursement of all expenses it incurs to carry out these determinations, including costs of analysis and testing. Byrider Franchising will advise you within 30 days of your submission as to whether your proposed sign or decorating materials meet its specifications. Byrider Franchising also provides you with specifications for vehicle inventory that may be displayed and sold at the Business.

C. Approved Suppliers. Byrider Franchising may suggest sources that will supply promotional materials, agreements, signs, stationery, and other items necessary for you to operate the Business. The suggested supply source for any item may be either Byrider Franchising or a third party. For your benefit, Byrider Franchising negotiates purchase terms, including favorable price terms, with the approved suppliers. You must purchase certain supplies from sources approved by Byrider Franchising.

If you want to purchase products or services from sources not recommended or approved by Byrider Franchising, you must submit samples and specifications to Byrider Franchising for testing to determine whether the products or services comply with Byrider Franchising's standards and specifications, which Byrider Franchising may periodically modify. You must obtain Byrider Franchising's prior written approval before you use or sell any unapproved products or services. Byrider Franchising may, in its discretion, share such standards and specifications with you and/or approved suppliers, but it is not obligated to do so. Byrider Franchising maintains a list of criteria for reviewing and approving products, services, and suppliers; however, Byrider Franchising does not issue this criteria to you. Byrider Franchising will not unreasonably withhold approval and will notify you within 30 days of your request that it has approved or rejected your proposed vendor or supplier. If Byrider Franchising rejects the proposed vendor or supplier, it will give you the reasons for rejection. If Byrider Franchising approves an alternative supplier or product or service, Byrider Franchising may revoke such approval upon 90 days' written notice.

Except for the technology system, there are currently no goods, services, supplies, fixtures, equipment, inventory or real estate for establishing your Business that you must purchase or lease from Byrider Franchising. However, to maintain the quality of goods and services provided by Byrider Businesses and the reputation of the System, Byrider

Franchising periodically may require you to purchase or lease other services, equipment, products, materials and supplies that meet specifications and, for some items, Byrider Franchising may require you to purchase or lease from suppliers that Byrider Franchising approves or designates. There currently are no suppliers of products, services, equipment, supplies or materials that you must or may purchase in operating the Business in which any officer identified in Item 2 owns an interest.

At Byrider Franchising's discretion, you may participate in Byrider Franchising's Collateral Protection Insurance ("CPI") program that is operated by Byrider Franchising's approved third-party reinsurance entity.

Your purchases from designated or approved suppliers (including us and our affiliates) or in accordance with our standards and specifications are estimated to be 95% to 100% of your total purchases in establishing the Business, and approximately 95% to 100% of your on-going purchases in operating the Business.

You should be aware that there may be price increases in any of the items you must purchase from suppliers and other third parties. Byrider Franchising does not know of any pending price increases, but Byrider Franchising cannot guarantee that increases will not occur.

As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives for any of the items described above.

D. Purchase Agreements, Material Benefits and Revenue.

Byrider Franchising and its affiliates may negotiate purchase arrangements including prices and terms, with designated approved suppliers for Byrider Businesses. Byrider Franchising and its affiliates may receive rebates or other payments from distributors, suppliers and other service providers based (directly or indirectly) on sales to franchisees. During 2022, Byrider Franchising's approved third-party reinsurance entity paid Byrider Franchising a \$0.485 rebate (contractor fee) per payment collected from premiums generated by franchisees. Byrider Franchising generated \$415,990 in rebates from this supplier during 2022. Also, an affiliate of Byrider Franchising, Byrider Sales of Indiana S, LLC, generated \$12,400 from franchisee's use of Secure Close for API usage during 2022. In addition, Byrider Franchising generated \$38,850 from franchisees' leasing of AnyConnect for VPN/NPA services during 2022, which constituted approximately 0.2% of Byrider Franchising's total revenue of \$20,610,958 during the year, according to its internal, unaudited financials.

Except as described above, during fiscal year ended December 31, 2022, neither Byrider Franchising nor any of its affiliates derived revenue or other material consideration from required purchases or leases of products or services from designated or approved suppliers by franchisees. Except as described above, neither Byrider Franchising nor its affiliates derived revenue from franchisee purchases or leases during the fiscal year ended December 31, 2022. We provide no material benefits to franchisees based on their use of approved suppliers.

E. Insurance required. To standardize insurance and to afford you, Byrider Franchising and your customers protection against insurable risks, Byrider Franchising requires minimum standards and limits for certain types of insurance coverage required to be purchased by you.

You must purchase at your expense and maintain in effect at all times the greater of the insurance coverage by the landlord for the franchised location or the following categories of insurance coverage through licensed and admitted insurance companies acceptable to Byrider Franchising:

- (i) Garage Liability Insurance: \$1,000,000 limit per occurrence with products and completed operations coverage included. Coverage must also include \$1,000,000 for Hired Autos and Non-Owned Autos liability. Coverage must also include a Broadened Garage endorsement for Personal and Advertising liability. You must insure Byrider Franchising against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of the actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to your Business or the Business Location. Byrider Franchising may modify the required amounts from time to time to reflect inflation or further experience with claims.
- (ii) State Required Worker's Compensation and Employer's Liability Insurance: for all employees of your Business.
- (iii) Unemployment Insurance: for all employees of your Business.
- (iv) Truth-in-Lending Act Insurance: not less than \$300,000.
- (v) All Risks Coverage Insurance: on the Business Location and all fixtures, equipment, supplies and other property used in the operation of your Business, for full repair and replacement value of the machinery, equipment, improvements and betterments, without any applicable co-insurance clause except that an appropriate deductible of no more than \$50,000 shall be permitted.
- (vi) Cyber Liability Insurance: not less than \$1,000,000 per occurrence.

Byrider Franchising also recommends, but does not require, that you purchase an umbrella policy in the amount of \$1,000,000 over and above all liability coverage.

It is further recommended that you carry vehicle Title Errors and Omissions Coverage, Federal Odometer Coverage, Equal Credit Opportunity Act and Deceptive Sales Practices Coverage in the amount of \$1,000,000 for each policy.

For all required insurance coverage, you must: (a) name Byrider Franchising and its designated affiliates as additional insureds; (b) ensure that each policy extends to and provides indemnity for all obligations assumed by you under the Franchise Agreement and all other items for which you are required to indemnify Byrider Franchising under the Franchise Agreement; (c) ensure all such insurance coverage is primary to and non-

contributory with respect to any other insurance purchased by Byrider Franchising; and (d) provide, by endorsement, that Byrider Franchising is entitled to receive at least 30 days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend said policy.

ITEM 9

FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It helps you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
a.	Site selection and acquisition/leases	Articles 6.4 and 7.3	Items 7 and 11
b.	Pre-opening purchases/leases	Articles 7.2, 7.3 and 9.5	Item 7
c.	Site development and other pre-opening requirements	Articles 7.2, 7.4 and 9.5	Item 11
d.	Software license requirements	Article 9.4 and Exhibit E	Item 11
e.	Initial and ongoing training	Articles 6.1 and 6.8	Items 6 and 11
f.	Opening	Article 7.4	Items 5, 7, and 11
g.	Fees	Articles 9, 13.4 and 18.5	Items 5, 6 and 7
h.	Compliance with standards and policies/Operating Manual	Articles 6.2 and 6.3	Item
i.	Trademarks and proprietary information	Article 8	Items 11, 13 and 14
j.	Restrictions on products/services offered	Articles 7.7 and 7.18	Items 8 and 16
k.	Warranty and customer service requirements	Article 1.2	Item 6
l.	Territorial development and sales quotas	Articles 4.3 and 4.4	Item 12
m.	Ongoing product/service purchases	Article 7.7	Items 6, 8 and 16

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
n.	Maintenance, appearance and remodeling requirements	Articles 7.5 and 7.15	Item 8
o.	Insurance	Article 12	Item 6
p.	Advertising	Article 10	Items 6 and 11
q.	Indemnification	Article 11.3	Items 6, 11 and 13
r.	Owner's participation/management and staffing	Articles 6.1, 6.6, 6.8, 6.9 and 7.11	Item 15
s.	Records/reports	Articles 13.1 and 13.2	Item 11
t.	Inspections/audits	Article 13.3	Items 6 and 11
u.	Transfer	Article 14	Items 6 and 17
v.	Renewal	Articles 5.2 and 5.3	Item 17
w.	Post-termination obligations	Article 17	Item 17
x.	Non-competition covenants	Article 18	Item 17
y.	Dispute resolution	Article 19	Item 17

ITEM 10

FINANCING

Byrider Franchising does not offer direct or indirect financing. Byrider Franchising does not guarantee your note, lease or obligation.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, TECHNOLOGY SYSTEM, AND TRAINING

Except as listed below, Byrider Franchising is not required to provide you with any assistance.

A. Pre-Opening Obligations.

Before you open the Business, Byrider Franchising provides:

1. **Site Approval.** You will select a site for your Business and submit the location to Byrider Franchising for approval. Byrider Franchising approves your Business location if the location is considered appropriate. Byrider Franchising considers several factors when it accepts or rejects a proposed site including demographics of the location, accessibility, daily traffic counts, level of competition, rent and construction costs and whether there is sufficient residential and commercial backup to support the

Business. Byrider Franchising will provide you with written notice of approval or disapproval of the proposed site within 30 days after receiving your written proposal. If you do not receive our approval or disapproval within 30 days, the location will be considered disapproved and you will need to resubmit the site. In the event your submitted site is not approved, you will need to submit alternate sites until one is approved. You are responsible for acquiring a suitable site for your Business. Byrider Franchising does not typically own or lease the premises to you. (Franchise Agreement - Article 6.4)

Upon the written approval of the proposed Business location, you will execute a lease (if the Business location is to be leased) or a binding agreement to purchase the site, with terms that have been approved by Byrider Franchising. Byrider Franchising's approval of the lease will be conditioned upon execution of the lease addendum attached as Exhibit G to the Franchise Agreement by you and the landlord.

The typical length of time between the signing of the Franchise Agreement or the first payment of consideration for the Businesses and the opening of the Businesses is about 180 to 360 days. Factors that affect this length of time include the time it takes to arrange financing, meet local ordinances or community requirements and complete delivery of equipment. You must open the Business within 1 year after signing the Franchise Agreement, and if you fail to do so, Byrider Franchising may terminate the Franchise Agreement. If that happens, you will not receive a refund for your initial franchise fee. (Franchise Agreement – Article 16.1).

Under the Area Development Agreement, Byrider Franchising must approve the location of any future Byrider Business that you intend to develop pursuant to the Area Development Agreement. Byrider Franchising's then-current standards for sites and territories will apply. (Area Development Agreement – Article 2).

2. **Approved Specifications.** As discussed in Item 8, Byrider Franchising identifies the specifications for the building, equipment, furnishings, decor, layout and signs required to open and operate the Business, assists with layout and approves development plans and provides you with a list of approved suppliers and sources for supplies. (Franchise Agreement - Article 6.2).

3. **Operations Manual.** Byrider Franchising makes available to you its Manuals on Byrider Franchising's website. (Franchise Agreement - Article 6.3) The Tables of Contents of the Manuals are attached to this Disclosure Document as Exhibit E. The current Manuals are comprised of approximately 4,800 pages.

4. **Training.** Byrider Franchising provides training for your personnel and provides guidance with staffing and inventory acquisition. (Franchise Agreement - Article 6.1). This training is described in detail later in this Item.

5. **Technology Installation.** You will be responsible for acquiring, installing and maintaining all technology at your location. A stable, business-class internet connection (preferably redundant connections) will be required to access

technology resources hosted by Byrider Franchising or third-party providers. Byrider Franchising will provide VPN client access for a fee on a per-location basis (Franchise Agreement - Article 13.2). You are required to maintain a secure environment with regular patching of Operating Systems and software. You may be required to periodically update technology (both hardware and software) at your location to match the current standards as they evolve over time. Byrider Franchising will assist you in the installation of the Proprietary Software in connection with your technology system.

6. **Review of Location Lease.** Byrider Franchising guides you in lease analysis and/or purchase. (Franchise Agreement - Articles 6.4 and 7.3).

B. Post-Opening Obligations.

During your operation of the Business, Byrider Franchising provides:

1. **On-Site Assistance.** Byrider Franchising gives you on-site assistance for your first Business. During the first week that Business is open, Byrider Franchising will, at its own expense, provide at least one Byrider Franchising representative to you at your Business location to facilitate the opening of the Business. The number of days of this on-site assistance visit varies. On-site assistance for opening of additional Businesses is provided if Byrider Franchising considers it appropriate and is provided at Byrider Franchising's expense. If you request additional assistance in opening your Business, and Byrider Franchising considers it appropriate, Byrider Franchising provides assistance beyond the assistance described above. (Franchise Agreement – Article 6.6)

2. **Grand Opening Promotion Assistance.** Byrider Franchising may give you guidance in marketing and promotions for the Grand Opening within the first three months that you operate your Business. (Franchise Agreement - Article 6.7).

3. **Periodic Inspection.** Periodically, Byrider Franchising inspects the Business as Byrider Franchising considers necessary, and Byrider Franchising gives you advice about operating your Business. Byrider Franchising also provides information to you about changes and modifications to the System and/or the Manual, guides you in advertising and marketing and gives you forms for required reports you must submit to Byrider Franchising. Periodically, at your request, Byrider Franchising's staff at its principal office will provide you with guidance. You should expect to be audited once annually to ensure compliance with Byrider operations standards; audits are designed to assess compliance with state and federal laws and to review those practices that affect the Byrider brand (Franchise Agreement - Article 6.9).

Periodically, as Byrider Franchising considers necessary, Byrider Franchising inspects your vehicles, supplies, merchandise, methods of service and merchandising and speaks with you and your employees to ensure you are complying with the Franchise Agreement and the standards, established for the System (Franchise Agreement - Article 6.10).

4. **Approval of New Products and Services.** Byrider Franchising considers for approval the products and/or services you submit for approval for use in your Business. (Franchise Agreement - Article 7.7).

5. **Indemnification.** Byrider Franchising will indemnify you against claims and for reasonable costs associated with defending or participating in a suit or proceeding that arises from your authorized use of the marks or from Byrider Franchising's gross negligence or willful misconduct or from any mandatory specification, standard or procedure contained in the Manual that is determined to be unlawful. To be indemnified and held harmless by Byrider Franchising, you must give Byrider Franchising timely notice of any suits or proceedings as described above that are pending against you, and you must be in compliance with the Franchise Agreement. Byrider Franchising has the right to participate in and control the suit, proceeding or litigation to the extent Byrider Franchising considers necessary. (Franchise Agreement - Article 11.3).

6. **Advertising Requirements, Guidance and Approval.** Periodically Byrider Franchising provides you with advertising plans, materials and advice on advertising, promotional and public relations matters. (Franchise Agreement - Article 6.9 E).

In addition, Byrider Franchising has the right to approve or disapprove of all advertising and promotional materials you propose to use. (Franchise Agreement - Article 10.1) Advertising is explained in more detail below.

7. **Annual Meetings.** Byrider Franchising holds one to three annual meetings at which you must be represented. Byrider Franchising notifies you of the dates and locations of these meetings, and you are responsible for your own transportation and traveling expenses and your pro rata share of the meeting expenses that are associated with attending these meetings, which typically ranges between \$595 and \$920 for each meeting. Byrider Franchising reserves the right to increase or decrease the number of meetings. (Franchise Agreement - Article 6.11).

C. Advertising Funds. Advertising through your efforts is placed in television, radio, magazine and newspaper media. You will participate in advertising in local and regional areas. In the future, Byrider Franchising may establish, maintain and administer a National Advertising Fund to expand advertising efforts to national coverage. When and if Byrider Franchising creates this fund, you must contribute to the fund as required by Byrider Franchising. However, your contributions to any National Advertising Fund (if established) and your Local Advertising Requirement (as defined below) will not collectively exceed 4% of your Gross Sales (Byrider Vehicle Sales) (collectively, the "Advertising Spend Cap").

Your required payment of the Advertising Fees to the Ad Group, as provided in Item 6, is excluded from the Advertising Spend Cap. The Ad Group Board of Directors consists of 6 elected Byrider Franchising franchisees and 3 appointed Byrider Franchising representatives that decide how to spend the contributions to the Ad Group. These funds are typically spent to produce advertising materials. These funds are not used to place

advertisements in any given market. Byrider Franchising receives reimbursement for any expenses incurred with the development of advertising and promotional materials including 1) hotel, travel, and meals, 2) Byrider Franchising employee time, and 3) any other reasonable related expense. The board of directors have the power to change or dissolve the Ad Group. The Ad Group may increase the monthly contribution, but such increase(s) will not exceed \$400.00 in the aggregate during any 24-month period.

In 2022, the Ad Group made expenditures as follows: Production (41.3% of funds); and Administrative Expenses (58.7% of funds). The Ad Group is not required to spend any particular amount on advertising in your area or territory. Any fees that are not spent in the year that they are contributed to the Ad Group are carried over to the next year. No part of the Ad Group is used to solicit franchise sales. Each year, Byrider Franchising will prepare a summary of the Ad Group's collections and activities, and you may obtain a copy of the summary for Byrider Franchising's most recently completed fiscal year by making a written request to Byrider Franchising. Byrider Franchising is not required to have the Ad Group fund audited.

Byrider Franchising may conduct its own advertising and may employ advertising agencies to assist in promotions, but is not required to do so. If Byrider Franchising conducts its own advertising, it may prepare national, regional or local advertising materials, programs and public relations activities including video, audio and written materials and electronic media. Byrider Franchising does not have any obligation to advertise in the area near your Business location. You will be permitted to use and publish advertising materials only with Byrider Franchising's approval. In addition, you may not alter approved advertisements except to fill in local identification information.

In addition to the Advertising Fees and contributions to any National Advertising Fund, you must, if requested by Byrider Franchising, join a local advertising co-op, whose membership is defined by the region of your franchised location, and make contributions to that co-op as required by the co-op's by-laws. Byrider Franchising is responsible for administration of the co-op, which must operate from written governing documents that are available for review by you. As well, periodic financial statements are prepared and available for review by you. Byrider Franchising has the power to require a co-op be formed, changed, dissolved or merged. Contributions you make to a co-op will be credited toward the required advertising expenditures as discussed in Article X of the Franchise Agreement and Item 6 of this Disclosure Document. As part of a co-op, you will participate in voting on how to use the funds contributed by all members. Business locations owned by Byrider Franchising or its affiliates will have the same voting power as franchisees. You must spend 2% of your Gross Sales (Byrider Vehicle Sales) on co-op or local advertising (the "Local Advertising Requirement"). Byrider Franchising reserves the right to raise the Local Advertising Requirement to 3% of your Gross Sales (Byrider Vehicle Sales) in the future, subject to the Advertising Spend Cap. Advertising fees must be paid in the above amounts for each Business location. All advertisements must receive Byrider Franchising's approval before publication. In addition, Byrider Franchising retains all ownership rights and title to all advertising materials and before publication must approve your advertisements that are not generated by Byrider

Franchising. Business locations owned by Byrider Franchising or its affiliates currently contribute on the same basis as Business locations owned by franchisees.

Byrider Franchising does not have a franchisee advisory council that advises Byrider Franchising on advertising policies, though Byrider Franchising may establish such a council in the future.

D. Technology System. The Byrider Franchising technology system is made up of four components: 1) Byrider Franchising Proprietary Software, 2) off-the-shelf (third party) software, 3) local and centralized hardware, and 4) dealer management system with integrated mandatory Customer Relations Management provided at no additional cost to you. The Customer Relations Management assists with Agency and Direct Consumer Complaints. When you receive an Agency Complaint (such as Better Business Bureau, Attorney General, Consumer Financial Protection Bureau, Media, or Private Attorney), you must investigate the complaint, forward the complaint to Byrider Franchising's Customer Service, and timely respond to the Agency; when you receive a Direct Consumer Complaint (i.e., Customer Service phone/email), you will investigate the complaint, resolve it directly, and timely report the results to Customer Service detailing the resolution or action taken. Byrider Franchising's Compliance Department administers the Customer Service mailbox and phone line and tracks the complaints and responses. You are responsible for investigating, taking corrective action, and resolving these complaints. You must license and use the Byrider Franchising technology system necessary to operate your day-to-day business (Franchise Agreement - Article 9.4) and maintain required records (Franchise Agreement - Articles 13.1 - 13.2). Byrider Franchising will have independent access to the data collected in your files.

The cost of technology implemented at the franchise location is the sole responsibility of the franchisee to install, maintain and upgrade. There is a per-site fee to cover VPN clients for accessing Byrider Franchising proprietary systems as well as a per-user fee to license hosted services such as email.

Byrider Franchising owns the Proprietary Software. Byrider Franchising has the sole right to service, update and maintain the Proprietary Software. Byrider Franchising has the right to immediately deny access for specific causes, such as viruses, hackers, or performance degradation. Byrider Franchising maintains a specific level of standards for networks, security, software, hardware, and other features that all franchisees must be in compliance with. These standards are required to facilitate the common services provided by Byrider Franchising, and to minimize disruptions or security concerns throughout the franchise community. Other than the Proprietary Software, Byrider Franchising has no contractual obligation for maintenance, repairs, updates or upgrades to the remaining components to your technology system. We currently estimate that it will cost \$5,000 to \$40,000 to purchase or lease hardware, software and other components of the technology system and the annual cost of maintenance, repairing, updating and upgrading the technology system will likely range from \$0 to \$75,000.

The Byrider Franchising Software consists of programs specially designed to the needs of your Business, and it includes programs that keep track of inventory and vehicle

repairs, store customer information, assist in processing financing to customers, perform credit checks and record accounting transactions. Byrider Franchising will have unlimited independent access to the sales and vehicle repair information stored in your files. (Franchise Agreement - Article 13.2).

Byrider Franchising requires some very specific equipment, networking, and software to provide its services. At the time of your purchase, you will be informed of the items that are mandatory and required, and those items that are recommended but can be altered to meet your needs. You should be aware that future changes in computer technology, communication technology, software design, third party vendor technology or business practices, and Byrider Franchising's acquisition of upgraded or new equipment may alter these requirements over time and are subject to change.

During many years of servicing franchisees, these requirements have been designed to ensure a specific level of quality and capabilities are provided by our franchisees to their customers.

Byrider Franchising may also require that you purchase certain software and support agreements directly through Byrider Franchising. This is required only where there is a reasonable support requirement.

Each franchisee is required to utilize qualified local technicians that can support the items that each franchisee uses. Byrider Franchising reserves the right to require the replacement of technical staff at your expense if issues and concerns jeopardize the quality and timeliness completing these items.

You are responsible for the accuracy and legal compliance of all consumer transaction documents for your business.

E. Training. Each franchisee must designate a manager who will devote his or her full-time efforts to the management of the day to day operation of your Business ("Designated Manager"). The Designated Manager must attend and successfully complete Byrider Franchising's Initial Training Program to Byrider Franchising's satisfaction at least 14 days prior to the opening. This requirement applies to the Designated Manager who is initially hired and any replacement Designated Managers. The Initial Training Program is available to the Designated Manager and up to three (3) additional employees without charge. Byrider Franchising will charge a nonrefundable fee in the amount of \$2,500 for each additional employee attending the Initial Training Program. The franchisee is responsible for travel and living expenses while employees are in a training mode. Formal training courses are conducted in Carmel, Indiana, at Byrider Franchising's corporate office or selected regional sites. Byrider Franchising representatives provide additional in-store training in conjunction with the business opening. The length of these visits varies. Byrider Franchising offers formal classroom training bimonthly each year. Additional training programs may also be offered. Training events are located at Byrider Franchising's corporate office (Carmel, IN), select regional US locations or through webinars. Travel and entertainment expenses for these events are the responsibility of the franchisee. Online training certification is available via Byrider

Franchising's corporate learning management system (LMS) (aka currently OnTrack - training.byriders.com) which can be accessed on Byrider Franchising's corporate portal (eByrider.com). The formal courses offered are as follows:

FORMAL, CLASSROOM TRAINING

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Sales Associate & Sales Management Training (required for Designated Manager; recommended for other managers)	24	None	Our Carmel, Indiana headquarters and/or regional training location Byrider Franchising selects
CNAC Training (required for Designated Manager; recommended for other managers)	24	None	Our Carmel, Indiana headquarters and/or regional training location Byrider Franchising selects
Vehicle Service Operations & Management (required for Designated Manager; recommended for managers)	24	None	Our Carmel, Indiana headquarters and/or regional training location Byrider Franchising selects
Functional (e.g., skip tracing, bankruptcy, etc., recommended for those with a need to know)	Varies	None	Our Carmel, Indiana headquarters and/or regional training location Byrider Franchising selects or via webinars

Each person from your Business who completes the above training sessions to Byrider Franchising's satisfaction becomes classroom training certified in each area.

Trainees receive certificates indicating successful completion of training in each area. See Exhibit E for the nature of the instructional material for each session.

Formal, classroom training is given by highly experienced Byrider Franchising staff members. Collectively, Byrider Franchising instructors have decades of experience in the consumer sales industry, in the consumer finance industry, in debt collection, in accounting, and in service management. These courses may involve participation in role play and written exams. Jennifer Kier, Byrider Franchising's Director of Franchise Operations, oversees all training subject matter as well as its application through training and business coaching/support. Ms. Kier has been with Byrider Franchising since July 1997 and has 24 years' experience in the subject matter being taught.

Additional training and operational information may be obtained online via Byrider Franchising's corporate portal (eByrider.com) and Byrider Franchising's corporate learning management system (LMS) (OnTrack – training.byrider.com). Questions about training and/or assistance with the learning management system and its content can be obtained at no cost by contacting traininghelp@byrider.com.

Other than the formal and informal programs and information noted above, it is the expectation of Byrider Franchising that you will ensure that all your employees are trained in accordance with Byrider Franchising's recommended training content and operational standards. You may be subject to training practices review and progress per Byrider Franchising's corporate compliance auditing processes.

ITEM 12

TERRITORY

Unless specifically agreed otherwise, you will not receive an exclusive or protected territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your Business will be granted for a specific location or a location subject to Byrider Franchising's approval. You may choose to relocate your Business, but you must first obtain Byrider Franchising's written approval. If your lease for the physical premises of your Business terminates without your fault, or if the physical premises is damaged, condemned or otherwise unusable, or if in your and Byrider Franchising's reasonable judgment there is a change in the character of the location of the Business sufficiently detrimental to its business potential to warrant its relocation, Byrider Franchising will grant permission to you for relocation of the Business.

Byrider Franchising will not operate or grant a franchise for the operation of another Byrider Business or Byrider Direct Business, the physical premises of such Business which is located within a protected territory designated by Byrider Franchising (the "Protected Territory"). However, Byrider Franchising may operate and grant franchises for the operation of Byrider Businesses in the Protected Territory if Byrider Franchising delivers a notice of default under the Franchise Agreement to you, upon which you do not cure the default within the applicable cure period, if any.

You may solicit customers, and use other methods of distribution, including the Internet, catalog sales, telemarketing, and other direct marketing, outside of your Protected Territory. Further, Byrider Franchising or other franchisees may solicit customers inside your Protected Territory. You will not receive any compensation from Byrider Franchising in connection with any production, distribution or sales described in this paragraph.

Byrider Franchising retains the right to (a) add new programs, products and/or services to the Business at any time; (b) establish, operate and franchise a business offering and selling products and/or services which maybe the same or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks; (c) use or license the use of the Marks in business other than the Business; (d) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by the Business, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating, including within your Protected Territory; (e) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Business, or by another business; and (f) engage in all other activities not expressly prohibited under the Franchise Agreement.

If you sign an Area Development Agreement and comply with its terms and conditions, you will be granted a protected territory and Byrider Franchising cannot license other Byrider franchises or open company-owned Byrider Businesses within your protected territory. If you enter into an Area Development Agreement, your protected territory will be comprised of the counties or cities that you have agreed to develop (see Exhibit C). Continuation of your territorial rights under the Area Development Agreement does not depend upon achievement of a certain sales quota, market penetration level, or other contingency. However, we may modify or terminate your rights only if you fail to meet your development schedule or otherwise default under the Area Development Agreement. Byrider Franchising will retain all rights similar to those provided in the previous paragraph with respect to the protected territory granted under the Area Development Agreement. Byrider Franchising must approve the location of any future Byrider Business that you intend to develop pursuant to the Area Development Agreement. Byrider Franchising's then-current standards for sites and territories will apply.

Although Byrider Franchising has no plans to do so, it reserves the right to operate or offer franchises in businesses that sell goods or services similar to or competitive with yours, and Byrider Franchising may offer those goods and services under different trade names or trademarks. And, although Byrider Franchising has no plans to do so, it may establish other franchised or company-owned outlets, which may compete with your location. Byrider Franchising will not compensate you if it exercises these rights.

Except as described above, you have no other options, rights of first refusal or similar rights.

ITEM 13

TRADEMARKS

Byrider Franchising's principal trademarks are "CNAC CarNow Acceptance Company", "CNAC" and "Byrider". Upon signing the Franchise Agreement, you will have the right to use certain of Byrider Franchising's trademarks, service marks and other commercial symbols in operating the Business (the "Marks").

Byrider Franchising is the owner of the following Marks registered with the United States Patent and Trademark Office on the Principal Register ("USPTO"):

Mark	Registration Number	Registration Date
CNAC CarNow Acceptance Company	1,839,624	June 14, 1994
CNAC	2,539,885	February 19, 2002
CarNow Acceptance Company	4,912,117	March 8, 2016
	2,492,626	September 25, 2001
GOJDB	4,185,747	August 7, 2012
GOJDB.COM	4,403,955	September 17, 2013
	5,992,380	February 18, 2020
	5,992,381	February 18, 2020
	5,893,110	October 22, 2019
	5,992,382	February 18, 2020
BYRIDER	6,356,475	May 18, 2021
	6,356,476	May 18, 2021
BUY. FINANCE. DRIVE ON.	6,356,478	May 18, 2021
	6,356,477	May 18, 2021

Byrider Franchising has filed all required renewals and affidavits with the USPTO.

You must follow Byrider Franchising's rules when you use its Marks. You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols (except for those Byrider Franchising licenses to you). You will not be permitted to use any Mark in performing any unauthorized services, in selling any unauthorized products or in any other manner Byrider Franchising has not expressly authorized in writing.

Any and all web sites or references made on the Internet relating to the Byrider franchise must be approved by Byrider Franchising prior to being published on the Internet. Any and all web sites must have a banner link to the Byrider Franchising, LLC, corporate home page (<http://www.byrider.com>). Byrider Franchising will supply this image file to you.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the principal trademark. There are no agreements currently in effect that significantly limit Byrider Franchising's rights to use or license the Marks in a manner material to the franchise.

You must notify Byrider Franchising immediately of any apparent infringement or challenge to your use of any Mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than Byrider Franchising, Byrider Franchising's attorneys and your attorneys of this infringement, challenge or claim. Byrider Franchising has sole discretion to take the action it deems appropriate and the right to control exclusively any litigation, Patent and Trademark Office proceeding or any other administrative proceeding from this infringement, challenge or claim concerning any Mark. You must sign any instruments and documents, provide any assistance and take any action that, in the opinion of Byrider Franchising attorneys, may be necessary or advisable to protect and maintain Byrider Franchising interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain Byrider Franchising interests in the Marks.

If, in the circumstance of a trademark infringement challenge, Byrider Franchising in its sole discretion directs you to modify or discontinue the use of any Mark or use one or more additional or substitute trade or service marks, you must comply with Byrider Franchising's directions within a reasonable time after receiving notice. Byrider Franchising will reimburse you for your reasonable direct expenses of changing printed advertising and marketing materials for which you have paid. However, Byrider Franchising will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

Byrider Franchising will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding from your authorized use of any Mark, and for all costs you reasonably incur in defending any claim brought against you or any proceeding in which you are named as a party, if you have timely notified Byrider

Franchising of the claim or proceeding and otherwise have complied with the Franchise Agreement. Byrider Franchising is entitled, at its option, to defend and control the defense of any proceeding resulting from your use of any Mark.

Byrider Franchising does not actually know of any superior prior rights or of any infringing uses that could materially affect your use of the Marks or a franchisee's use of its principal trademarks in any state.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise.

Byrider Franchising claims copyrights in 12 manuals: the J.D. Byrider Systems Sales Manual (TX3-722-077), the J.D. Byrider Systems CNAC Manual (TX3-742-153), the J.D. Byrider Systems Pre-Opening Manual (TX3-742-148), and the J.D. Byrider Systems Field Support Manual (TX3-722-076), all granted on February 10, 1994, the J.D. Byrider/CNAC Computer User Manual-v.1 (TX3-984-387) granted on December 15, 1994, the J.D. Byrider/CNAC Computer User Manual-v.2 (TX4-035-363), and the following five manuals: Sales Operations (TXu 1-714-594), CNAC Operations (TXu 1-715-293), J.D. Byrider/CNAC Reports (TXu 1-714-652), Service Operations (TXu 1-714-673), and J.D. Byrider/CNAC Accounting Operations (TXu 1-715-294), all granted on December 16, 2010 (the "Manuals"). Byrider Franchising also claims copyrights for six Byrider University training notebooks: Accounting Systems Course Notebook (TXu 1-715-291), Advanced Accounting Course Notebook (TXu 1-715-279), Sales Associate & Sales Management Course Notebook (TXu 1-715-288), CNAC Operations Notebook (TXu 1-715-286), Collections Notebook (TXu 1-715-281), and Service Management Notebook (TXu 1-715-289), all granted on December 16, 2010. In addition, Byrider Franchising claims copyrights in six computer programs: Loan Writer (TX3-749-317), Credit Bureau (TX3-756-608) and Loan Originator (TX3-780-748), all granted on February 14, 1994; the computer program Loan Receivables (TX3-803-931) granted on December 12, 1994; the computer program Discover (TX6-082-231) granted on November 8, 2004; and Discover v.2 (TXu 1-719-153) granted on March 8, 2011.

The Manuals and other materials Byrider Franchising possesses contain Byrider Franchising's confidential information. This information includes methods, formats, specifications, standards, systems, procedures, sales and marketing techniques and knowledge of and experience used to develop and operate Byrider Franchising Businesses as well as particular methods of processing and tracking financial information about Byrider Franchising customers. The unique formula Byrider Franchising uses for credit approval of Byrider Franchising customers is confidential information. You may not use Byrider Franchising's confidential information in an unauthorized manner either during or after the term of the Franchise Agreement and must take reasonable steps to prevent its disclosure to others. For example, you may not duplicate any part of the Operating Manual, remove the manual at your Business location or fail to return it to Byrider Franchising when the franchise term is over.

All ideas, concepts, techniques, names or materials concerning Byrider Franchising Businesses, whether or not they constitute protectable intellectual property, and whether created by or for you or your owners, must be promptly disclosed to Byrider Franchising, and will be deemed to be Byrider Franchising's property and part of its System as works made-for-hire for Byrider Franchising. You and your owners must sign whatever documents Byrider Franchising requests to evidence Byrider Franchising's ownership or to help Byrider Franchising secure intellectual property rights in these ideas, concepts, techniques, names or materials.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. Nor are there any agreements currently in effect that significantly limit Byrider Franchising's right to use or authorize others to use the copyrighted materials. Furthermore, there are no infringing uses actually known to Byrider Franchising that could materially affect the use of the copyrighted materials in any state. Byrider Franchising is not required by any agreement to protect, defend, or renew copyrights or confidential information, although it intends to do so when this action is in Byrider Franchising's best interests. See Item 13 for protections that also apply to copyrights.

Microsoft software products are provided to you as a service by Byrider Franchising, which includes computer software and may include associated media, printed materials, and "online" or electronic documentation (collectively "Software Products"). All title and intellectual property rights in and to the Software Products are owned by Microsoft or its suppliers. All title and intellectual property rights in and to the content which may be accessed through use of the Software Products are the property of the respective content owner and may be protected by applicable copyright or other intellectual property laws and treaties. The Software Products are licensed to Byrider Franchising from MSLL, GP ("Microsoft"), a Nevada general partnership and a wholly-owned subsidiary of Microsoft Corporation. Byrider Franchising does not own the Software Products and the use thereof is subject to certain rights and limitations of which you need to be informed. Your right to use the Software Products as a service is pursuant to your agreement with Byrider Franchising and is subject to your understanding of and compliance with the customer license terms provided to you.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

A. Supervision. As an owner of the Business, you are not required to conduct on-premises supervision or to personally participate in the direct operation of the Business. However, the Business must at all times be under the direct, on-location supervision of a trained and competent employee acting as the Designated Manager. All of your employees must complete training. You or your managers must provide to your employees on-going training when necessary.

B. Owner's Personal Guaranty. If you are a corporation or limited liability company (taxed as a corporation), your owners must personally guarantee your obligations under the Franchise Agreement and must agree to be personally bound by and liable for any breach of the Franchise Agreement. If you are a corporate franchisee, a manager must conduct on-premises supervision, but this manager need not have an equity interest in the Business.

C. Noncompetition Clause. You will be bound by a non-compete provision (see Item 17 below) and you, your shareholders or employees may also be subject to additional noncompetition guarantees and agreements as established in the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Byrider Franchising requires you to offer and sell only those goods and services that Byrider Franchising has approved (see Item 9). You must offer all goods and services that Byrider Franchising designates as required for all franchisees. Currently, franchises offer used vehicles for sale, financing and related products. Byrider Franchising has the right to change the types of authorized goods and services. You will not be restricted as to customers to whom you may offer goods and services.

You may only sell and assign retail installment contracts to unaffiliated third-parties if (a) you obtain Byrider Franchising's approval of the unaffiliated third-party prior to each sale or assignment, and (b) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of the Gross Sales (Byrider Vehicle Sales) during any particular calendar month.

You may only provide repair services in connection with your Service Center for vehicles purchased from Byrider-branded businesses, unless Byrider Franchising approves in writing for you to service the general public.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise agreement, area development agreement and related agreements pertaining to renewal, termination, transfer, and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

	Provision	Section in Franchise Agreement or other agreement	Summary
a.	Length of the franchise term	Article 5.1	Unless sooner terminated, 10 years from the day the Franchise Agreement is signed
b.	Renewal or extension of the Term	Articles 5.2 and 5.3	You have the right to obtain an additional, successive franchise term of 10 years. However, if Byrider Franchising is then still in the business of licensing new franchises, you will have the right to obtain unlimited successive franchises of ten-years each, so long as you continue to meet the qualifications and conditions for each renewal term.
c.	Requirements for you to renew or extend	Article 5.2	Requirements include a request to obtain successive franchise term, compliance with the Franchise Agreement and with your financial obligations to Byrider Franchising, execution of proper documents. "Renewal" means signing our then current franchise agreement for the 10-year successor franchise term, which could contain materially different terms (including fees).
d.	Termination by you	Article 16.3	You may terminate if you are in compliance with the Franchise Agreement, and you notify Byrider Franchising of its material breach, but Byrider Franchising does not cure the breach. The franchisee may terminate the agreement on any grounds available by law.
e.	Termination by Byrider Franchising without cause	N/A	Not applicable.

	Provision	Section in Franchise Agreement or other agreement	Summary
f.	Termination by Byrider Franchising with cause	Articles 16.1, 16.2 and 16.4 See also Area Development Agreement, Section 4	You may be terminated before you open if you do not satisfactorily complete the training program prior to opening for business, if you do not open the Business within 1 year of signing the Franchise Agreement, if information you have given to Byrider Franchising is materially false, misleading, incomplete or inaccurate, or if you default under any other agreement with Byrider Franchising (or its affiliates). You may be terminated after you open if you commit one of several violations and do not cure where opportunity to cure defaults is allowed. Under the Area Development Agreement, if you breach any terms of the Area Development Agreement (including your failure to comply with the development schedule), make any material misrepresentations, or any franchise agreement you or your affiliate execute terminates.

	Provision	Section in Franchise Agreement or other agreement	Summary
g.	"Cause" defined – defaults which can be cured	Articles 16.2 and 16.4 See also Area Development Agreement, Section 4	10 days to cure amounts due to Byrider Franchising, the Ad Group or their affiliates after written notice of the failure; 30 days to cure if 1) you voluntarily or otherwise abandon the Business unless the Business has been closed for a purpose approved by Byrider Franchising, 2) you fail to purchase or maintain the required insurance, 3) you interfere with Byrider Franchising's right to inspect the Business or observe its operation, 4) you make any unauthorized use or disclosure of any part of Byrider Franchising's operations manuals or confidential information; 5) your assets, property, or interests are blocked under any regulation relating to terrorist activities or you violate any such regulation, 6) you fail to comply with any federal, state, or local law, ordinance, or regulation, 7) you fail to pay when due any federal or state taxes due on the Business' operation unless you are in good faith contesting your liability for those taxes, 8) you fail to assign the Franchise Agreement in accordance with the Franchise Agreement in the event of death or disability, 9) the loss of your right to occupy the Business due to a material breach of the lease, 10) you fail to comply with any other provision of the Franchise Agreement. You default under any other agreement with Byrider Franchising or its affiliates, which provides a respective cure period.

	Provision	Section in Franchise Agreement or other agreement	Summary
h.	"Cause" defined – defaults which cannot be cured	Articles 16.1, 16.2 and 16.4 See also Area Development Agreement, Section 4	Failure to open the Business within 1 year; failure to complete required initial training prior to opening for business; supplying Byrider Franchising with materially false, misleading, incomplete, or inaccurate information; your software agreement is terminated by Byrider Franchising for breach of its provisions; you make or attempt to make any transfer in violation of Article 14 of the Franchise Agreement, you make an assignment for the benefit of creditors or are deemed insolvent or unable to pay your debts generally as they become due; the business or Business Location is seized, taken over, or foreclosed by a government official, creditor, lienholder, or lessor and final judgment is unsatisfied for thirty days without bond or appeal or a levy of execution has been made upon the licenses granted or upon any property used in the Business and is not discharged within five days of such levy; you or any of your managers, directors, officers or majority stockholder are convicted of, or plead guilty or no contest to, a felony or other criminal misconduct directly related to the operation of the Business. You default under any other agreement with Byrider Franchising or its affiliates, which does not afford you a cure period.

	Provision	Section in Franchise Agreement or other agreement	Summary
i.	Your obligations on termination/nonrenewal	Article 17.1	Obligations include payment of outstanding amounts, sale to Byrider Franchising of all assets it selected for your Business at the lower of your cost or fair market value, complete de-identification with Byrider Franchising and return of confidential information (also see below).
j.	Assignment of contract by Byrider Franchising	Article 14.1	No restrictions on Byrider Franchising's right to assign. However, no assignment will be made except to an assignee who, in the good faith and judgment of the franchisor, is willing and able to assume the franchisor's obligations.
k.	"Transfer" by you – definition	Articles 14.2 – 14.3	Includes transfers of rights and interests under the Franchise Agreement and transfers of ownership interest and Business assets.
l.	Byrider Franchising's approval of transfer by you	Articles 14.2-14.3	Byrider Franchising must give written consent for all transfers but will not unreasonably withhold consent as long as various conditions are being satisfied.
m.	Conditions for Byrider Franchising's approval of transfer	Articles 14.2-14.3	The new franchisee to whom you transfer must have the skills and resources to fulfill your contract obligations, must undertake all obligations including training and signing a Franchise Agreement; you must release all claims against Byrider Franchising, pay a transfer fee (see Item 6) and comply with the Franchise Agreement including the provisions for Byrider Franchising's right of first refusal (see s and t below).

	Provision	Section in Franchise Agreement or other agreement	Summary
n.	Byrider Franchising's right of first refusal to acquire your business	Article 15	Within 30 days of a notice of assignment from you, Byrider Franchising has the right to match the offer given you by a third party and cause the transfer or assignment to be made to Byrider Franchising.
o.	Byrider Franchising's option to purchase your Business	N/A	Not applicable.
p.	Your death or disability	Article 14.4	Does not constitute an assignment subject to Byrider Franchising's right of first refusal.
q.	Non-competition covenants during the term of the franchise	Article 18.1	Subject to state law, no direct or indirect involvement with the sale of similar products or services by another entity.
r.	Non-competition covenants after the franchise is terminated or expires	Article 18.2	Subject to state law, no interest or involvement in a competing business for 2 years within 25 miles of your Business or within 10 miles of any other Byrider-branded business.
s.	Modification of the Agreement	Article 20.14	Modifications are permitted only with written agreement between you and Byrider Franchising. The procedures, offered products and services and Marks may change at Byrider Franchising's option, and you must comply with the changes at your expense.
t.	Integration/merger clause	Article 20.15	The Franchise Agreement and attached or referenced materials make up the whole understanding between Byrider Franchising and you. Other promises outside of this Franchise Disclosure Document may not be enforceable.
u.	Dispute resolution by arbitration	Article 19.1	You and Byrider Franchising will engage in arbitration conducted in Indianapolis, Indiana.

	Provision	Section in Franchise Agreement or other agreement	Summary
v.	Choice of forum	Article 20.6	Litigation must be in Marion County, Indiana (Subject to State Law)
w.	Choice of law	Article 20.5	Indiana law applies (Subject to State Law)

ITEM 18

PUBLIC FIGURES

Byrider Franchising does not use any public figures to promote its franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned stores, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing store you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The financial information contained in the table below represents profits, expenses, and other statistics actually experienced by certain Byrider/CNAC businesses commonly called "Franchisee-Owned Stores," which are independently owned and operated.

Data Set and Methodology

As of December 31, 2022, there were a total of 112 Byrider Businesses independently owned and operated by franchisees. Of the 112 franchisee-owned stores, 3 stores opened in 2021 and 1 store, which had originally closed in 2020, re-opened in 2021; 2 stores opened in 2022; 2 stores opened prior to 2021 under pilot programs. The remaining 104 Byrider Businesses make up the "Complete Set" of franchisee-owned stores that operated during the entirety of Byrider Franchising's 2022 fiscal year.

Each of the 104 franchisee-owned stores that comprise the Complete Set also operated during the entirety of Byrider Franchising's 2021 fiscal year. For Tables A-1 and A-2 below, Byrider Franchising compiled the data, using composites from December 31, 2021 and December 31, 2022, that are not independently audited, using a 2-year annual

average, because Byrider Businesses require that loss reserves be established at the time a car is sold and a retail installment contract is initiated.

Table B below provides separate figures related to the operations of each of the 104 franchisee-owned stores in the Complete Set during Byrider Franchising's 2022 fiscal year.

In each instance in which Byrider Franchising shows an average of a category, Byrider Franchising calculated the average by adding the total amount of that same category for either the particular period of time for the franchisee-owned stores in the group, then divided those numbers by the number of franchisee-owned stores in the group. In each instance in which Byrider Franchising shows an average, Byrider Franchising also shows the lowest and highest points in the data set and the median data point. The median is the middle data point; that is, the data point in the center of all data points. Where the number of data points is an even number, there is no middle data point, so the median is the average of the two middle data points.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE A-1

Results of Byrider Franchisee-Owned Stores in Complete Set
Based on 2 Full Years of Operations (periods ending December 31 in 2021 and 2022)

104 Franchise Locations			% Met or			% Met or
	Average		Exceed	Median		Exceed
Annual Vehicle Sales ⁶	317			294		
Sales Revenue ^{2, 11}	5,020,281	73.21%	43.93%	4,823,600	73.88%	50.47%
Finance Revenue ^{3,12}	1,837,485	26.79%	47.66%	1,820,379	27.88%	50.47%
Total Revenue ^{4,13}	6,857,767	100.00%	44.86%	6,529,405	101.75%	50.47%
Cost of Goods Sold ⁵	4,627,384	67.48%	42.99%	4,574,340	70.06%	50.47%
Total Gross Profit ⁷	2,230,383	32.52%	43.93%	2,122,485	32.51%	50.47%
Total Operating Expense ⁸	1,632,769	23.81%	44.86%	1,546,913	23.69%	50.47%
*Net Income from Operations (before taxes) ⁹	597,614	8.71%	42.06%	483,595	7.41%	52.34%
Net Income per Vehicle Sold ¹⁰	1,886			1,645		

*Does not include revenue or expenses from related warranty reinsurance and real estate holding companies

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE A-2

Results of Byrider Franchisee-Owned Stores in Complete Set
Based on 2 Full Years of Operations (periods ending December 31 in 2021 and 2022)

STORE RESULTS BROKEN DOWN INTO QUANTILES

# Stores	26	First Quartile		% Met or	First Quartile	% Met or	# Stores	26	Second Quartile		% Met or	Second Quartile	% Met or	
		Average		Exceed Avg	Median	Exceed Avg			Average		Exceed Avg	Median	Exceed Avg	
Annual Vehicle Sales ⁶		403			402		Annual Vehicle Sales ⁶		315			294		
Sales Revenue ^{2, 14}		6,640,809	72.30%	50.00%	6,586,833	74.89%	50.00%	Sales Revenue ^{2, 17}	5,040,457	73.78%	50.00%	4,867,707	73.13%	50.00%
Finance Revenue ^{3, 15}		2,543,675	27.70%	42.31%	2,312,597	26.29%	50.00%	Finance Revenue ^{3, 18}	1,791,114	26.22%	42.31%	1,769,500	26.58%	50.00%
Total Revenue ^{4, 16}		9,184,485	100.00%	46.15%	8,794,856	101.19%	50.00%	Total Revenue ^{4, 19}	6,831,571	100.00%	46.15%	6,656,449	99.71%	50.00%
Cost of Goods Sold ⁵		6,067,063	66.06%	50.00%	5,966,474	67.84%	50.00%	Cost of Goods Sold ⁵	4,568,200	66.87%	50.00%	4,500,265	67.61%	50.00%
Total Gross Profit ⁷		3,117,422	33.94%	42.31%	2,820,602	32.07%	50.00%	Total Gross Profit ⁷	2,263,371	33.13%	42.31%	2,281,978	34.28%	50.00%
Total Operating Expense ⁸		1,684,337	18.34%	46.15%	1,589,584	18.07%	50.00%	Total Operating Expense ⁸	1,575,247	23.06%	46.15%	1,497,860	22.50%	50.00%
*Net Income from Operations (before taxes) ⁹		1,433,084	15.60%	34.62%	1,265,265	14.39%	50.00%	*Net Income from Operations (before taxes) ⁹	688,123	10.07%	34.62%	688,181	10.34%	50.00%
Net Income per Vehicle Sold ¹⁰		3,559			3,147			Net Income per Vehicle Sold ¹⁰	2,183			2,341		

# Stores	26	Third Quartile		% Met or	Third Quartile	% Met or	# Stores	26	Fourth Quartile		% Met or	Fourth Quartile	% Met or	
		Average		Exceed Avg	Median	Exceed Avg			Average		Exceed Avg	Median	Exceed Avg	
Annual Vehicle Sales ⁶		293			294		Annual Vehicle Sales ⁶		243			231		
Sales Revenue ^{2, 20}		4,645,289	74.11%	50.00%	4,633,811	74.85%	50.00%	Sales Revenue ^{2, 23}	3,754,570	72.95%	50.00%	3,866,358	75.73%	50.00%
Finance Revenue ^{3, 21}		1,623,092	25.89%	46.15%	1,553,439	25.09%	50.00%	Finance Revenue ^{3, 24}	1,392,060	27.05%	34.62%	1,194,164	23.39%	50.00%
Total Revenue ^{4, 22}		6,268,381	100.00%	50.00%	6,190,426	99.95%	50.00%	Total Revenue ^{4, 25}	5,146,630	100.00%	46.15%	5,105,186	99.13%	50.00%
Cost of Goods Sold ⁵		4,350,272	69.40%	50.00%	4,295,860	69.40%	50.00%	Cost of Goods Sold ⁵	3,524,001	68.47%	50.00%	3,506,170	68.68%	50.00%
Total Gross Profit ⁷		1,918,109	30.60%	46.15%	1,863,981	30.11%	50.00%	Total Gross Profit ⁷	1,622,629	31.53%	34.62%	1,448,026	28.36%	50.00%
Total Operating Expense ⁸		1,599,455	25.52%	46.15%	1,511,452	24.42%	50.00%	Total Operating Expense ⁸	1,672,035	32.49%	30.77%	1,595,984	31.26%	50.00%
*Net Income from Operations (before taxes) ⁹		318,654	5.08%	46.15%	308,826	4.99%	50.00%	*Net Income from Operations (before taxes) ⁹	-49,406	-0.96%	53.85%	-30,453	-0.60%	50.00%
Net Income per Vehicle Sold ¹⁰		1,087			1,050			Net Income per Vehicle Sold ¹⁰	-203			-132		

*Does not include revenue or expenses from related warranty reinsurance and real estate holding companies

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Notes

Note 1 – All reported numbers were rounded to the nearest whole number, and, therefore, products and quotients of the numbers listed in the information table may reflect marginal rounding differences.

Note 2 – “Sales Revenue” means all revenue derived from the sale of vehicles and does not include Finance Revenue as that term is defined below. It also includes documentation fees that may accompany the sale of a vehicle. Sales Revenue as used in this Item 19 is calculated the same as Gross Sales (Byrider Vehicle Sales) as defined in the Franchise Agreement, except that Sales Revenue includes revenue from the sale of wholesaled vehicles, which are vehicles sold for resale and for which no sales tax is required, and Gross Sales (Byrider Vehicle Sales) under the Franchise Agreement does not.

Note 3 – The sale of a vehicle results in a retail installment contract with principal balance bearing interest due from each customer. “Finance Revenue” means the interest income received from customers in connection with retail installment contracts and collateral protection insurance. Finance Revenue as used in this Item 19 is calculated the same as Gross Receipts (CNAC and Service Center Collections) as defined in the Franchise Agreement, except that Gross Receipts (CNAC and Service Center Collections) under the Franchise Agreement includes revenue from the Service Center and Finance Revenue does not.

Note 4 – “Total Revenue” means Sales Revenue plus Finance Revenue.

Note 5 – “Cost of Goods Sold” means the cost of automobiles sold, vehicle service contract claims, warranty reserve, and interest expense on debt associated with receivables financing.

Note 6 – Annual Vehicle Sales equals retail installment contracts generated at Byrider Franchising Businesses generally considered in the marketplace to be “sub prime” credit quality with a value less than the full contract amount.

Note 7 – “Total Gross Profit” is calculated by subtracting Cost of Goods Sold from Total Revenue.

Note 8 – “Operating Expenses” includes on-site and off-site costs associated with the operation of a used vehicle sales and finance operation such as salaries, commissions, collection expenses, personnel costs, utilities, telephone, facilities costs, policy, repair expense, advertising, royalties and advertising fund contribution, and others.

Note 9 – “Net Income from Operations” means Total Gross Profit minus Operating Expenses before any federal or state income tax obligations.

Note 10 – “Net Income per Vehicle Sold” means Net Income from Operations divided by the average Annual Vehicle Sales.

Note 11 – “Sales revenue” ranges from \$680,078 to \$14,331,085

Note 12 – “Finance revenue” ranges from \$376,063 to \$4,054,275

Note 13 – “Total revenue” ranges from \$1,465,346 to \$18,201,891

Note 14 – “Sales revenue” ranges from \$4,020,045 to \$14,331,085

Note 15 – “Finance revenue” ranges from \$1,786,350 to \$3,870,806

Note 16 – “Total revenue” ranges from \$6,043,031 to \$18,201,891

Note 17 – “Sales revenue” ranges from \$3,129,316 to \$7,776,696

Note 18 – “Finance revenue” ranges from \$1,147,307 to \$2,855,923

Note 19 – “Total revenue” ranges from \$4,466,112 to \$9,804,806

Note 20 – “Sales revenue” ranges from \$3,158,454 to \$6,092,200

Note 21 – “Finance revenue” ranges from \$947,136 to \$2,693,785

Note 22 – “Total revenue” ranges from \$4,164,982 to \$8,227,560

Note 23 – “Sales revenue” ranges from \$680,078 to \$8,110,605

Note 24 – “Finance revenue” ranges from \$376,063 to \$4,054,275

Note 25 – “Total revenue” ranges from \$1,465,346 to \$12,164,880

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

TABLE B

**Byrider Franchised Stores Systemwide Average Figures for 104 Stores Open
During All 12 Months of the Calendar Year 2022**

	<u>Average</u>	<u>% Met or Exceed Avg.</u>	<u>Median</u>	<u>% Met or Exceed Avg.</u>
Vehicle Purchase Price	\$6,762	49.04%	\$6,777	50.96%
Reconditioning Expense	\$2,312	51.92%	\$2,269	50.96%
Down Payment (cash/trade/deferred)	\$2,426	38.46%	\$2,297	50.96%
Gross Mark-Up	\$6,637	52.88%	\$6,671	50.96%
Discount Rate	28.90%	79.81%	30.00%	83.65%
Warranty Expense/Vehicle Sold	\$730	55.77%	\$699	50.96%
Installment Contract Amount Financed	\$14,576	50.00%	\$14,562	50.96%
Interest Rate	20.98%	46.15%	20.91%	50.96%
Monthly Payment Equivalent Amount	\$468	45.19%	\$466	50.96%
Net Charge Off (as % of Portfolio Amount)	12.11%	54.81%	11.58%	50.96%
All Delinquency (% of accounts 1 or more days delinquent)	10.86%	58.65%	9.62%	50.96%
Average Monthly Operating Expenses	\$192,386	57.69%	\$178,191	50.96%

Notes

Note 26 – “Vehicle Purchase Price” means the average acquisition price per vehicle placed in inventory.

Note 27 – “Reconditioning Expense” means the average expense incurred to make repairs on an inventory vehicle to prepare it for sale to the public.

Note 28 – “Down Payment” means cash, trade in vehicle, and deferred down payments made by customers in purchasing a retail vehicle.

Note 29 – “Gross Mark Up” means the amount inventory is marked up for profit.

Note 30 – “Discount Rate” means the rate the customer accounts are discounted for sale from the Byrider division to the CNAC division.

Note 31 – “Warranty Expense/Vehicle” means the average of expense per vehicle incurred to make warranty repairs to customer vehicles.

Note 32 – “Amount Financed” means the amount of the sale price financed by the Retail Installment Contract for each vehicle.

Note 33 – “Interest Rate” means the average rate of interest charged in the Retail Installment Contract.

Note 34 – “Monthly Payment Equivalent Amount” means the scheduled payment obligation of the customer in the Retail Installment Contract. The majority of payments

are made on a semi-monthly or bi-weekly basis and this figure represents the monthly equivalent.

Note 35 – “Net Charge Off” percentage exceeded is the percentage of franchisees that had charge off less than or equal to the average percentage.

Note 36 – “All Delinquency” means all accounts in which the customer is not current on their payments.

Note 37 – “Operating Expenses” includes on-site and off-site costs associated with the operation of a used vehicle sales and finance operation such as salaries, commissions, collection expenses, personnel costs, utilities, telephone, facilities costs, policy, repair expense, advertising, royalties and advertising fund contribution, and others.

Note 38 - The financial results in this Item 19 are based on the traditional royalty structure. This Item 19 does not include Byrider Direct Retained Ownership or Byrider Direct.

Some outlets have earned this amount. Your individual results may differ. There is no assurance you will earn as much.

Byrider Franchising will provide written substantiation for this financial information to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, Byrider Franchising does not make any financial performance representations. Byrider Franchising also does not authorize its employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Byrider Franchising Business, however, Byrider Franchising may provide you with the actual records of that business. If you receive any other financial performance information or projections of your future income, you should report it to Byrider Franchising’s management by contacting Jeffrey B. Higgins, 12802 Hamilton Crossing Blvd., Carmel, Indiana, 46032, 317-249-3000, the Federal Trade Commission, and the appropriate state regulatory agencies.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

All figures in the following tables are as of December 31 of each year. For states not listed in a table, there was no activity to report during our last 3 fiscal years. All businesses listed as “company-owned” in the tables are operated by Byrider Franchising’s related companies Byrider Sales of Indiana S, LLC and Byrider Finance, LLC.

Table No. 1

Systemwide Outlet Summary For years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2020	116	112	-4
	2021	112	113	+1
	2022	113	112	-1
Company-Owned	2020	31	31	0
	2021	31	32	+1
	2022	32	19	-13
Total Outlets	2020	147	143	-4
	2021	143	145	+2
	2022	145	131	-14

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2020 to 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Illinois	2020	1
	2021	0
	2022	0
Missouri	2020	0

Column 1	Column 2	Column 3
State	Year	Number of Transfers
	2021	1
	2022	0
Total	2020	1
	2021	1
	2022	0

Table No. 3

Status of Franchised Outlets
For years 2020 to 2022

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Arizona	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Arkansas	2020	4	1	0	0	0	0	5
	2021	5	2	0	0	0	0	7
	2022	7	0	1	0	0	1	5
Colorado	2020	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Connecticut	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Georgia	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Idaho	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Illinois	2020	11	0	0	0	1	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
Indiana	2020	8	0	0	0	0	0	8
	2021	8	1	0	0	0	0	9
	2022	9	0	0	0	0	0	9
Iowa	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
Kentucky	2020	3	0	1	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
Louisiana	2020	0	1	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Maryland	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Massachusetts	2020	5	0	0	0	0	0	5
	2021	5	0	2	0	0	0	3
	2022	3	0	0	0	0	1	2
Michigan	2020	5	1	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Minnesota	2020	1	0	1	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Missouri	2020	5	0	0	0	0	0	5
	2021	5	1	1	0	0	0	5
	2022	5	0	0	0	0	0	5
Mississippi	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Hampshire	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	7	0	0	0	0	0	7
	2021	7	0	1	0	0	0	6
	2022	6	0	0	0	0	0	6
Pennsylvania	2020	7	0	1	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Rhode Island	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
South Carolina	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
Texas	2020	10	1	2	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
Utah	2020	2	0	2	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
West Virginia	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
Wisconsin	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	0	10
Totals	2020	116	4	7	0	1	0	112**
	2021	112	6	4	0	0	1	113
	2022	113	2	1	0	0	2	112

** Three outlets remained temporarily closed since February, March and May 2020, respectively.

Table No. 4

Status of Company-Owned Outlets
For years 2020 to 2022

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	2020	1	0	1	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	1	0	1
Indiana	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	2	0	4
Kentucky	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2022	2	0	0	1	0	1
Ohio	2020	15	0	0	1	0	14
	2021	14	1	0	0	0	15
	2022	15	0	0	6	0	9
Pennsylvania	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	1	0	4
Tennessee	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	2	0	0
Totals	2020	31	0	1	1	0	31
	2021	31	1	0	0	0	32
	2022	32	0	0	13	0	19

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2022

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year
Georgia	0	1	0
Illinois	1	0	0
Michigan	0	1	0
Missouri	1	1	0
North Carolina	1	1	0
Oklahoma	0	1	0
Pennsylvania	0	1	0
Tennessee	0	1	0
Total	3	7	0

Exhibit D is a list of the names of all of Byrider Franchising's franchisees as of December 31, 2022. Exhibit H is a list of the names, cities and states, and telephone numbers of franchisees who had a franchise terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during 2022 or who have not communicated with Byrider Franchising within 10 weeks of the Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Certain franchisees have signed confidentiality clauses during the last three years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Byrider Franchising. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the Byrider network that are incorporated or otherwise organized under state law and have asked Byrider Franchising to be included in this Disclosure Document.

ITEM 21

FINANCIAL STATEMENTS

Exhibit A contains the audited consolidated financial statements of Byrider Holding Corp., which includes our net worth as a subsidiary, as of December 31, 2022, 2021, and 2020. Also included are the unaudited consolidated financial statements of Byrider Holding Corp. as of June 30, 2023. Byrider Franchising has sufficient net worth, but Byrider Holding Corp. has agreed to guarantee our liabilities and obligations to franchisees and under the franchise laws. Exhibit A contains a copy of this guarantee.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document:

- a. Franchise Agreement -- Exhibit B
- b. Traditional Area Development Agreement -- Exhibit C-1
- c. Ultra Area Development Agreement -- Exhibit C-2
- d. Acceptance and Assumption of Obligations Agreement -- Exhibit F
- e. Renewal Addendum -- Exhibit I
- f. Multi-Location Flat Rate Option Addendum -- Exhibit J
- g. Traditional and Legacy Royalty Fee Addendum -- Exhibit K
- h. Veteran Discount Addendum -- Exhibit L
- i. State-Specific Riders to Franchise Agreement and/or Area Development Agreement -- Exhibit M

ITEM 23

RECEIPT

Exhibit N contains detachable documents acknowledging your receipt of the Disclosure Document.

EXHIBIT A
TO
FRANCHISE DISCLOSURE DOCUMENT



Byrider Holding Corp. and Subsidiaries

Financial Report
December 31, 2022

Contents

Independent Auditor's Report	1 – 2
Consolidated Financial Statements	
Consolidated Balance Sheets as of December 31, 2022 and 2021	3
Consolidated Statements of Operations for the years ended December 31, 2022 and 2021	4
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2022 and 2021	5
Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021	6 – 7
Notes to Consolidated Financial Statements	8 – 38
Consolidating Supplementary Information	
Consolidating Schedule - Balance Sheet Information as of December 31, 2022	39
Consolidating Schedule - Statement of Operations Information for the year ended December 31, 2022	40



Audit Committee
Byrider Holding Corp.

We have audited the consolidated financial statements of Byrider Holding Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' equity(deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 17 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, has debt that matures within one year from the issuance date of the financial statements, and other matters, and has stated that substantial doubt exists about the company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 6 to the financial statements, the Company has changed its method of accounting for leases during the year ended December 31, 2022 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 842. Our opinion is not modified with respect to this matter.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

1

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Las Vegas, Nevada
August 15, 2023

Byrider Holding Corp. and Subsidiaries
Consolidated Balance Sheets (In thousands, except for share amounts)
December 31, 2022 and 2021

	2022	2021
Assets		
Contracts receivable	\$ 218,304	\$ 111,228
Securitization contracts receivable of consolidated variable interest entities (VIE)	306,217	388,977
Allowance for credit losses	(65,747)	(53,573)
Contracts receivable, net	458,774	446,632
Cash	3,547	5,254
Restricted cash and cash equivalents held in trust of consolidated VIEs	28,150	26,539
Accounts receivable	13,321	8,655
Inventories	8,396	22,817
Property and equipment, net	10,189	9,677
ROU Asset for Operating lease, net	40,301	-
ROU Asset for Finance lease, net	574	-
Intangibles, net	1,959	2,708
Goodwill	4,742	4,742
Deferred tax asset	149	161
Other assets	6,037	6,497
Reposessed assets	703	796
Total assets	\$ 576,842	\$ 534,478
Liabilities		
Revolving lines of credit, net (VIE balance of \$80,995 in 2022 and \$0 in 2021)	151,978	\$ 64,325
Mortgage notes payable	356	631
Secured notes payable of consolidated VIEs, net	258,697	327,161
Subordinated notes payable	34,693	103,599
Contingent Value Rights	95,637	-
Trade accounts payable	14,499	6,391
Accrued expenses	22,172	24,577
Lease Liability for operating lease	40,749	-
Lease Liability for finance lease	504	-
Lease disadvantage	-	44
Deferred revenue	66,584	71,474
Deferred tax liability	770	441
Total liabilities	686,639	598,643
Stockholders' Equity (Deficit)		
Class A preferred stock, \$.001 par value	-	-
Class A common stock, \$.001 par value	-	-
Class B common stock, \$.001 par value	-	-
Class C common stock, \$.001 par value	-	-
Treasury stock	(468)	(468)
Additional paid-in capital	95,891	86,820
Accumulated deficit	(205,220)	(150,517)
Total Stockholders' Equity (Deficit)	(109,797)	(64,165)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 576,842	\$ 534,478

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Operations (In thousands)
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Automobile sales	\$ 230,875	\$ 231,684
Extended vehicle service contract revenue	35,079	26,713
Interest income	101,684	90,502
Franchise revenue	24,519	22,543
Other Income	-	5,282
Total revenues	<u>392,157</u>	<u>376,724</u>
Expenses:		
Cost of revenue	212,022	198,955
Provision for credit losses	85,144	51,570
Interest expense	38,967	35,463
Automobile sales and finance operating expenses	91,847	76,277
General and administrative expenses	16,862	20,260
Total expenses	<u>444,842</u>	<u>382,525</u>
Net loss before income taxes	<u>(52,685)</u>	<u>(5,801)</u>
Income tax expense (benefit)	2,237	(2,047)
Net loss	<u>\$ (54,922)</u>	<u>\$ (3,754)</u>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except for share amounts)
Years Ended December 31, 2022 and 2021

	Class A		Class A Voting		Class B Voting		Class C Voting		Class C Common Stock		Class C Common Stock		Additional		Total	
	Preferred	Shares	Common	Shares	Common	Shares	Common	Shares	Common	Shares	Amount	Amount	Paid in	Accumulated	Stockholders'	Equity (Deficit)
Balance at December 31, 2020	25,000	\$ -	7,659	\$ -	66,630	\$ -	38,553	\$ -	4,547	\$ (468)	\$ 86,820	\$ (145,138)	\$ -	\$ (58,786)		
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,754)		(3,754)
Cancellation of Common C	-	-	-	-	-	-	(1,160)	-	-	-	-	-	-	-		-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,625)		(1,625)
Balance at December 31, 2021	25,000	\$ -	7,659	\$ -	66,630	\$ -	37,393	\$ -	4,547	\$ (468)	\$ 86,820	\$ (150,517)	\$ -	\$ (64,166)		
Net Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,922)		(54,922)
Cumulative effect of adoption of ASC 842	-	-	-	-	-	-	-	-	-	-	-	-	-	1,844		1,844
Forgiveness of related party debt	-	-	-	-	-	-	-	-	-	-	-	-	9,071	-		9,071
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,625)		(1,625)
Balance at December 31, 2022	25,000	\$ -	7,659	\$ -	66,630	\$ -	37,393	\$ -	4,547	\$ (468)	\$ 95,891	\$ (205,220)	\$ -	\$ (109,797)		

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (In thousands)
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Net loss	\$ (54,922)	\$ (3,754)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	85,144	51,570
Deferred income taxes	341	(2,450)
Depreciation and amortization	7,811	6,302
Paid-in-kind interest	8,428	8,658
Loss on disposal of property and equipment	1,501	5
Amortization of operating lease right of use asset	3,989	-
Decrease in lease liability	(4,162)	-
Amortization of gain on sale leaseback	-	(404)
Forgiveness of debt	-	(5,282)
Installment contracts originated	(289,060)	(282,458)
Installment contracts repaid	199,435	176,796
(Increase) decrease in certain assets:		
Accounts receivable	(4,666)	1,437
Inventories	14,421	(5,286)
Other assets	554	(4,650)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	8,104	(1,344)
Deferred revenue	(3,046)	11,301
Net cash used in operating activities	(26,128)	(49,559)
Cash Flows From Investing Activities		
Installment contracts purchased from third parties	(15,022)	(16,082)
Repayments on installment contract purchased from third parties	7,361	5,555
Cash purchases of property and equipment	(4,086)	(2,810)
Proceeds from sale of property and equipment	90	-
Net cash used in investing activities	(11,657)	(13,337)
Cash Flows From Financing Activities		
Net borrowings (repayments) on revolving lines of credit	88,049	(60,394)
Payments on finance leases	(309)	-
Principal payments on notes payable	(148)	(161)
Proceeds from subordinated notes	31,019	1,600
Payments on subordinated notes	(7,500)	-
Proceeds from secured notes payable	132,150	294,998
Payments on secured notes payable	(201,116)	(161,663)
Debt issuance costs	(4,456)	(2,666)
Net cash provided by financing activities	37,689	71,714
Net (decrease) increase in cash	(96)	8,818
Cash at beginning of year	31,793	22,975
Cash at end of year	\$ 31,697	\$ 31,793

(Continued)

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands) (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Supplemental disclosures		
Cash paid during the year for interest	\$ 23,240	\$ 22,785
Cash paid during the year for taxes	\$ 401	\$ 324
Dividends declared, not paid during the year	\$ 1,625	\$ 1,625

Supplemental schedule of noncash investing and financing activities:

Operating right of use assets exchanged for lease liabilities	\$ 72,694	\$ -
Financing right of use assets exchanged for lease liabilities	\$ 813	\$ -
Modification of operating right of use assets	\$ 17,619	\$ -
Closed store write offs	\$ 10,678	\$ -
Debt exchanged for CVRs	\$ 95,637	\$ -
Related party forgiveness of debt	\$ 9,071	\$ -
Forgiveness of debt	\$ -	\$ (5,282)

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Operations: The accompanying financial statements include the consolidated financial statements for Byrider Holding Corp. ("Holding") and its subsidiaries, which are described below, as of and for the years ended December 31, 2022 and 2021 (hereinafter collectively referred to the "Consolidated Financial Statements"). Holding was formed to acquire the business on May 3, 2011. J.D. Byrider Systems, LLC, ("Systems"), through certain wholly owned subsidiaries, and Byrider Sales of Indiana S, LLC ("Sales") are engaged in the business of selling used automobiles to the sub-prime consumer market and warehousing and servicing retail installment contracts made in connection with such sales. Systems, through a wholly owned subsidiary, franchises its operational techniques, computer systems, trademarks, marketing, and general operations to franchisees. On December 31, 2022 and 2021, the Company had 116 and 115 operational franchises, respectively, and 21 and 32 Company-owned locations, respectively, in 30 states across the United States.

On December 31, 2022, Sales operated four automobile sales and/or service lots in Indiana, nine in Ohio, five in Pennsylvania, one in Kentucky, and two in Illinois. Centralized finance centers, operated by Finance, support all stores. Most of the consolidated assets are managed by Byrider Finance, LLC ("Finance"), consisting primarily of retail installment contracts receivable. Byrider Properties, LLC ("Properties") leases land and buildings to Sales. Byrider Capital, LLC ("Capital") was incorporated to administer a finance receivable sale program for the Company and its franchisees and operates the sale of used automobiles in a single Tennessee sales lot. Byrider SPV, LLC ("SPV") was incorporated as a special purpose corporation to facilitate the sale of contracts receivable and is inactive. The J.D. Byrider Advertising Group ("Ad Group") was incorporated exclusively for the purpose of designing, developing, producing, and implementing advertising and promotional materials and campaigns for the sole benefit and success of Byrider Franchising, LLC ("Franchising"). Byrider Funding, LLC ("Funding") was formed in 2012 as a Delaware entity and is a wholly owned special purpose subsidiary of Finance. On May 16, 2014 CNART Warehouse Funding I, LLC ("DB Warehouse") was formed as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On June 4, 2019, CarNow Auto Receivables Trust 2019-1 ("CNART 2019-1") was formed as a Delaware entity. On January 27, 2020, CarNow Auto Receivables Trust 2020-1 ("CNART 2020-1") was formed as a Delaware entity. On February 17, 2021, CarNow Auto Receivables Trust 2021-1 ("CNART 2021-1") was formed as a Delaware entity. On July 30, 2021, CarNow Auto Receivables Trust 2021-2 ("CNART 2021-2") was formed as a Delaware entity. On May 5, 2022, CarNow Auto Receivables Trust 2022-1 ("CNART 2022-1") was formed as a Delaware entity. These five entities are "bankruptcy remote subsidiaries" and were formed in conjunction with the securitization financing transactions completed between 2019 and 2022.

On July 16, 2014, Byrider Indiana Reinsurance Company, Ltd. ("CPI") was formed as a reinsurance company organized in the Turks and Caicos Islands. It is a wholly owned subsidiary of Byrider Holding Corp. The Company has elected a provision under Internal Revenue Code (IRC) Section 953(d) that permits non-U.S. domiciled insurance companies to be treated for United States tax purposes as United States corporations.

Principles of Consolidation: The consolidated financial statements include the consolidated financial statements of Byrider Systems Acquisition Corp. ("Systems Acquisition") and its wholly owned subsidiaries: J.D. Byrider Systems, LLC, Byrider Franchising, LLC, Byrider Finance, LLC, Byrider Funding, LLC, CNART 2019-1, CNART 2020-1, CNART 2021-1, CNART 2021-2, CNART 2022-1, CNART Warehouse Funding I, LLC, Byrider Properties, LLC, J.D. Byrider Advertising Group, Inc. and the consolidated financial statements of Byrider Sales Acquisition Corp. ("Sales Acquisition") and its wholly-owned subsidiaries: Byrider Sales of Indiana S, LLC, Byrider Capital, LLC, and Byrider SPV, LLC, and Byrider Indiana Reinsurance Company, Ltd. All intercompany accounts and transactions have been eliminated in consolidation.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities. Certain accounting estimates involve significant judgments, assumptions, and estimates by management that have a material impact on the carrying value of certain assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenses during the reporting period which management considers to be critical accounting estimates. The judgments, assumptions and estimates used by management are based on historical experience, management's experience, and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ materially from these judgments and estimates, which could have a material impact on the carrying values of the Company's assets and liabilities and the Company's results of operations.

Significant items subject to estimates and assumptions include the allowance for credit losses, inventory valuation, fair value measurements, possible goodwill impairment calculations, reserves for sales returns and allowances, recovery receivables, and the valuation allowance for deferred tax assets. Estimates used in deriving these amounts are described in the notes herein. Actual results could differ from these estimates.

Revenue Recognition: The material revenue streams of the Company include automobile sales and finance interest income, extended service contract revenue and franchise fee and royalty income. The Company adopted ASC 606 for items within the scope of the standard. The description of the revenue categories are as follows:

- **Automobile Sales Revenue:** Revenue from automobile sales is recognized when a buyer either pays upfront for a vehicle or enters an installment sales contract and the vehicle is delivered to the buyer, thus fulfilling the single performance obligation of Sales.
- **Finance Revenue:** Interest income from installment sales contracts is recognized using the interest method. Interest income is suspended when a contract is greater than sixty days contractually delinquent or written off.
- **Extended Service Contract Revenue:** Revenue from the sale of extended service contracts ("ESC") is deferred at the time of sale and recognized evenly over the stated life of the contract. This aligns with the satisfaction of the Company's related performance obligation throughout the duration of the contract. If a contract is cancelled, any existing deferred revenue due to the customer is refunded or applied to the balance of the contract receivable.
- **Franchise Revenue:** Franchise revenue includes franchise fees. Franchise fees consist of an initial franchise fee due upon the awarding of the franchise to the franchisee and a continuing monthly franchise service fee which is considered royalty revenue and is based upon either a percentage of sales and/or a percentage of cash receipts of the franchisee or a flat monthly fee. The initial franchise fee revenue is recognized at the earlier of when all material conditions relating to the franchise sale have been substantially satisfied or the end of the franchise agreement term. Until these conditions and performance obligations have been substantially satisfied using the output method, the initial fee is recorded as deferred revenue. Royalty revenue is recorded at the end of the period in which the franchisee records the cash receipt or the sale, as applicable, which is aligned with the completion of the related franchisor performance obligation.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

As previously discussed, revenue from extended service contracts, initial franchise fees and interest income are recognized over time, whereas automobile revenue and royalty revenue are recognized at a point in time. Total revenue recognized at a point in time and over time was as follows for the years ending December 31, 2022 and 2021:

	2022	2021
Revenue recognized at a point in time	\$ 255,026	\$ 259,284
Revenue recognized over time	137,131	117,440
Total revenue	<u>\$ 392,157</u>	<u>\$ 376,724</u>

Cash: The Company periodically maintains cash balances in bank accounts which may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Contracts Receivable: Retail installment contracts receivable, originating through the sales of automobiles, represent the unremitted purchase price of automobiles sold to consumers using installment sales contracts. The Company performs credit evaluations of its customers' financial condition and retains possession of automobile titles collateralizing the contracts receivable.

Trade and Other Receivables: Trade and other receivables represent primarily franchise royalties and other amounts due from franchisees.

Allowance for Credit Losses: The allowance for credit losses is established by charging a provision for credit losses against earnings and is maintained at an amount considered by management adequate to absorb estimated credit losses inherent in the contracts receivable portfolio. The contracts receivable are collectively evaluated for impairment. Management's estimate of inherent credit losses is based on historical loss experience, current economic conditions, operating policies and practices, and other appropriate considerations. Credit losses on receivables are charged to the allowance. Automobiles are generally repossessed prior to the contract becoming 90 days contractually delinquent. After repossession, the automobile is sold and any remaining contracts receivable balance more than the proceeds from the sale of the vehicle, net of costs incurred to dispose of the automobile, is charged off.

Sales Returns: The Company accrues for sales returns on installment contracts in which the customer defaults on the first payment or returns the vehicle. The Company records an accrued liability and reduces sales and cost of revenue for these first payment defaults.

Concentration of Credit Risks: The Company's customers predominantly reside in Ohio, Indiana, Pennsylvania, Kentucky, Tennessee, and Illinois, which represents a concentration of credit risk associated with the economy in these geographic areas. The Company is exposed to a concentration of credit risk inherent in providing alternative financing programs to customers who cannot obtain traditional bank financing.

Delinquency: The Company determines the past due status using contractual terms of the contracts. Delinquency is the primary credit quality indicator.

Inventories: Inventories of vehicles are valued using the lower of cost or net realizable value. Certain vehicle reconditioning costs, which enhance the wholesale value of the vehicle, are capitalized.

Property and Equipment: Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

assets. Furniture and equipment and automobiles have estimated useful lives ranging from 3 to 5 years. Buildings and improvements have an estimated useful life of 30 years. Land has an indefinite life and is not depreciated. Leasehold improvements are amortized by the straight-line method over the shorter of the remaining initial terms of the respective leases or economic useful life.

Leases: In March 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-01, Leases (Topic 842): Codification Improvements, to increase transparency and comparability among organizations related to their leasing arrangements. The Company adopted the ASU effective January 1, 2022. The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes operating leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Finance lease right-of-use assets are included in property and equipment on the balance sheets as of December 31, 2022. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. The Company elected the "package of practical expedients" permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure ROU asset and lease liability using the remaining portion of the lease term at adoption on January 1, 2022.

The Company made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Accounting Standards Codification (ASC) Topic 842, Leases). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

expense in the period incurred.

Goodwill: Goodwill is not amortized, but it is reviewed annually for impairment if impairment indicators arise. A quantitative impairment test is required comparing the fair value of the reporting unit with its carrying amount. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. Alternatively, an entity may make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before completing the quantitative goodwill impairment test. If it is not more likely that the fair value of a reporting unit is less than its carrying amount, the quantitative goodwill impairment test is not required to be performed. The Company performed its annual review for impairment as of December 31, 2022 and 2021. No impairment existed on December 31, 2022 or 2021.

Intangible Assets: Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated lives of the Company's intangible assets range from 5 to 20 years.

Impairment of Long-Lived Assets: Impairment of long-lived assets is recorded when long-lived assets used in operations or expected to be disposed of indicate impairment may exist and the cash flows expected to be derived from those assets are less than the carrying amounts of those assets. The Company has not identified any circumstances requiring evaluation and has not recorded any impairment charge for the periods ended December 31, 2022 and 2021.

Extended Service Contract: The Company offers an optional refundable extended service contract as an ancillary product available to each vehicle sold. The Company began the offering of optional refundable extended service contracts in different markets since March 2017 through July 2018. As of December 31, 2022, the product offered for sale was for a period of the lesser of 36 months or 36,000 miles.

Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Prior to 2021, the entities filed federal and certain state income tax returns on a separate standalone basis and, as such, Holding, Sales Acquisition, Systems Acquisitions, Ad Group, and CPI each filed separate federal and (to the extent allowed) separate state income tax returns. For the tax year ended December 31, 2021, the Company elected to file the 2021 and future federal income tax return on a consolidated basis. This election did not impact state income tax filings as the Company was already filing on a consolidated or combined basis for Holding, Sales Acquisitions and Systems Acquisitions as required.

Sales routinely sells its retail installment contracts to Finance at fair market value. On a separate income tax return filing, Sales can take a tax deduction at the time of sale for the difference between the fair value of the receivables sold and the retail installment contract balance. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation. For years prior to 2021, a deferred tax liability has been recorded for this timing difference. As these contracts are fulfilled or otherwise terminate, the related deferred tax liability will decrease to zero. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

the receivables are sold and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments. For 2021 and beyond, with the election to file consolidated income tax returns, the sales between Sales and Finance are eliminated for federal income tax purposes and no related deferreds have been established as this new treatment mirrors the GAAP treatment in the financial statements.

The Company has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Interest and penalties on income taxes will be charged to income tax expense.

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income prior to the period in which temporary differences reverse or expire. Management considers projected future taxable income and taxplanning strategies in making this assessment.

Interest Rate Cap: The Company's interest rate cap has not been designated as a hedge instrument; therefore assets are recognized on the balance sheet at their estimated fair value and changes in fair value are recorded in current period earnings on the statement of operations as a component of interest expense. The fair value of the interest rate cap is included in other assets on the balance sheet.

Reposessed Assets: In the normal course of business, the Company repossesses vehicles for which installment payments are past due. Repossessed collateral is valued at the vehicles' estimated net realizable value. Management estimates net realizable value at the projected cash value upon liquidation, less cost to sell the related collateral. In accordance with certain regulations, the Company must hold a reposessed vehicle for a certain period and give the borrower an opportunity to reclaim the vehicle.

Fair Value: The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 established a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 provides a framework for measuring fair value under generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active 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.

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.

Fair value on a recurring basis: The table below represents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2022 and 2021.

	Interest Rate Cap			
	Total	Level 1	Level 2	Level 3
2022	\$ 1,791	\$ 1,791	\$ -	\$ -
2021	\$ 143	\$ 143	\$ -	\$ -

Derivatives - The carrying amount is adjusted to market value and is a reasonable estimate of fair value.

Fair value on a nonrecurring basis: The Company has finance receivables that are transferred to repossessed assets and are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table presents the repossessed assets carried on the balance sheets by level within the fair value hierarchy (as described above) as of December 31, 2022 and 2021 for which a nonrecurring change in fair value has been recorded during these years.

	Repossessed Assets			
	Total	Level 1	Level 2	Level 3
2022	\$ 703	\$ -	\$ -	\$ 703
2021	\$ 796	\$ -	\$ -	\$ 796

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The fair value of repossessed assets was determined based on comparable recent sales. If the fair value is based upon unobservable inputs, the resulting fair value measurement is categorized as a Level 3 measurement.

Accounting for Transfers of Financial Assets (Securitizations): Finance periodically sells retail installment contracts to the Company's bankruptcy-remote securitization subsidiaries, which, in turn, transfer the retail installment contracts to separate trusts that issue notes and certificates collateralized by these retail installment contracts. The notes (asset-backed securities) are sold to investors, and the Company retains the residual certificates. The Company continues to service all securitized retail installment contracts. The Company has determined that the trusts are variable interest entities, and that Finance is the primary beneficiary of those trusts; therefore, contracts included in the securitization transactions are recorded as contracts receivable and the asset-backed securities that are issued by the trusts are recorded as secured notes payable in the accompanying consolidated balance sheets. The bankruptcy-remote securitization subsidiaries are owned and controlled by third-party trustee arrangements with Finance.

Additional credit enhancement is achieved via over-collateralization, and a cash reserve account is established for the benefit of the asset-backed security note holders. The reserve accounts are classified as restricted cash and cash equivalents held in trust in the consolidated balance sheets.

Variable interest entities: The Company transfers pools of loans to wholly owned, bankruptcy-remote, special purpose entities (each, an "SPE") to secure debt for general funding purposes. These entities have the limited purpose of acquiring finance receivables and holding and making payments on the related debts. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company's and its affiliates' creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates. The Company continues to service the finance receivables transferred to the SPEs. The lenders and investors in the debt issued by the SPEs generally only have recourse to the assets of the SPEs and do not have recourse to the general credit of the Company.

The SPEs' debt arrangements are structured to provide credit enhancements to the lenders and investors, which may include overcollateralization, subordination of interests, excess spread, and reserve funds. These enhancements, along with the isolated finance receivables pools, increase the creditworthiness of the SPEs above that of the Company as a whole. This increases the marketability of the Company's collateral for borrowing purposes, leading to more favorable borrowing terms, improved interest rate risk management, and additional flexibility to grow the business.

The SPEs are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary of the SPEs because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of the SPEs.

Consolidation of VIEs results in these transactions being accounted for as secured borrowings; therefore, the pooled receivables and the related debts remain on the consolidated balance sheet of the Company. Each debt is secured solely by the assets of the VIEs and not by any other assets of the Company. The assets of the VIEs are the only source of funds for repayment on each debt, and restricted cash held by the VIEs can only be used to support payments on the debt. The Company recognizes revenue and provision for credit losses on the finance receivables of the VIEs and interest expense on the related secured debt.

Advertising and Promotion Costs: Advertising and promotion costs are charged to operations as they are incurred. Such costs totaled approximately \$7,905 and \$7,316 for the years ended December 31, 2022 and 2021, respectively.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Sales Taxes: Sales taxes collected from customers and remitted to state governmental agencies are reported on a net basis and, accordingly, are not reflected in revenue or costs and expenses.

Stock Based Compensation: For the issuance of stock options, the Company recognizes the grant date fair value of stock options issued to employees.

Reinsurance Balances and Transactions: Reinsurance premiums are accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies.

Reserves for Insurance Claims: The Company has established insurance policy liability and claim reserves. The claim reserves are based on claims reported, in addition to loss estimates, based on historic and expected trends for incurred and unreported claims.

Liabilities for Unpaid Claims: The basis for estimating the liabilities for unpaid claims and claim adjustment expenses are life mortality, unearned premium reserves and specific claim reserves.

Government Regulation: The Company is subject to various state and federal laws and regulations, which, among other things, impose limits on interest rates, other charges, and require licensing and qualifications.

Accounting Pronouncements Issued Not Yet Adopted: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2019-10 has changed the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. The Company is currently evaluating the effect the adoption of ASU 2016-13 may have on the consolidated financial statements and disclosures.

Note 2. Contracts Receivable

The retail installment contracts ("Contracts") made in connection with the sale of used automobiles are made between the Company and consumers whose credit history may fail to meet the credit standards of most banks, credit unions and captive automobile finance companies. Substantially all of the retail installment contracts involve contracts made with consumers with limited or impaired credit histories. The Company believes that its consumer's credit profile is similar to that of its direct competitors in the sub-prime automobile consumer market. The Company believes its underwriting criteria, in conjunction with close senior management supervision, enhances its risk management and collection functions.

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)**Note 2. Contracts Receivable (continued)**

In deciding whether to enter into a retail installment contract, the Company considers various factors, including but not limited to the following:

- the applicant's length of residence;
- the applicant's current and prior job status;
- the applicant's history in managing other financial obligations;
- the applicant's current income and discretionary spending ability;
- the applicant's ability to provide a sufficient down payment; and
- the verification of the information provided on the application.

The consumers under the contracts typically make down payments in the form of cash, trade-in or deferred down payments generally ranging from 5% to 15% of the sale price of the automobile included in the retail installment contract. Deferred down payments must be completed prior to the first principal and interest payment date of the retail installment contract. The retail installment contracts are generally over a period of approximately 55 months.

A summary of the Company's contracts receivable on December 31, 2022 and 2021 is as follows:

	2022	2021
Contracts receivable	\$ 524,521	\$ 500,205
Less: Allowance for credit losses	(65,747)	(53,573)
Contracts receivable, net	<u>\$ 458,774</u>	<u>\$ 446,632</u>

A certain amount of the above contracts receivable (those owned by the Company's consolidated variable interest entities) are pledged as collateral for the variable interest entities' securitized debt. The balances of the contracts receivable at December 31, 2022 and 2021 were comprised of the following:

	2022	2021
Contracts receivable	\$ 218,304	\$ 111,228
Securitization contracts receivable of consolidated VIEs	306,217	388,977
Contracts receivable	<u>\$ 524,521</u>	<u>\$ 500,205</u>

Changes in the allowance for credit losses on contracts receivable for the years ended December 31, 2022 and 2021 are as follows:

Allowance as of December 31, 2020	\$ 47,515
Add: Provision for estimated credit losses	51,570
Less: Charge offs - net of recoveries	<u>(45,512)</u>
Allowance as of December 31, 2021	53,573
Add: Provision for estimated credit losses	85,144
Less: Charge offs - net of recoveries	<u>(72,970)</u>
Allowance as of December 31, 2022	<u>\$ 65,747</u>

The Company places contracts on a non-accrual status when they reach greater than 60 days past due. On December 31, 2022 and 2021, the Company had \$11,835 and \$9,318, respectively, of contracts on non-accrual status. Although the probability that these contracts are uncollectible has not reached the level to charge-off the contracts, management believes it is prudent to discontinue accruing interest

Note 2. Contracts Receivable (Continued)

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

income on these contracts. The following table is an assessment of the credit quality of the contractual balance of the contracts.

Delinquency experience of the contractual amount of the contracts on December 31, 2022 and 2021:

	2022	2021
Current	\$ 345,882	\$ 381,188
1 - 30 days	138,115	89,152
31 - 60 days	28,688	20,547
61 - 90 days	7,833	5,203
90+ days	4,003	4,115
Total contractual amount	<u>\$ 524,521</u>	<u>\$ 500,205</u>

Note 3. Restricted Cash and Cash Equivalents Held in Trust

The Company maintains various cash accounts, which are pledged as collateral under its debt agreements. The Company is permitted to invest funds in these accounts in short-term, high quality liquid investments which are considered cash and cash equivalents. Restricted cash and cash equivalents held in trust on December 31, 2022 and 2021 consisted of the following:

	2022	2021
Restricted cash	\$ 17,116	\$ 16,184
Cash equivalents held in trust	11,034	10,355
	<u>\$ 28,150</u>	<u>\$ 26,539</u>

Restricted cash consists of cash collections related to loans held in the securitization trusts and the CNART Warehouse Funding I, LLC warehouse facility that have been collected from customers, but have not yet been submitted to the lenders, as appropriate. Cash equivalents held in trust consist of a cash reserve account the Company maintains on behalf of asset-backed security investors in the Company's securitizations and on behalf of Deutsche Bank for the CNART Warehouse Funding I, LLC. At the time loans were transferred to the trust, a portion of the proceeds from sales of notes was deposited into a reserve account that is pledged to the trusts. The Company may be required to make additional deposits to the reserve account from collections on the loans to fund the reserve account to the required target percentage.

Note 4. Inventories

Inventories on December 31, 2022 and 2021 consisted of the following:

	2022	2021
Used automobiles	\$ 7,809	\$ 22,299
Other	587	518
Total inventories	<u>\$ 8,396</u>	<u>\$ 22,817</u>

Note 5. Property and Equipment

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)

Property and equipment on December 31, 2022 and 2021 consisted of the following:

	2022	2021
Land and improvements	\$ 789	\$ 801
Buildings and improvements	443	443
Furniture and equipment	7,179	10,149
Leasehold improvements	2,674	5,465
Software	4,442	1,436
Capital leases	633	633
Construction in process	4	-
	16,164	18,927
Less: Accumulated depreciation	(5,975)	(9,250)
Total Property and equipment	\$ 10,189	\$ 9,677

During the years ended December 31, 2022 and 2021, depreciation expense was \$1,626 and \$1,741, respectively.

Note 6. Leases

Operating Lease: The Company leases real estate for each store location under operating lease agreements that have initial terms ranging from 5 to 10 years. Most leases include one or more options to renew, generally at the entity's sole discretion, with renewal terms that can extend the lease term up to 40 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Entity, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Entity will exercise that option. The Entity's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Finance leases: The Company also leases equipment under various finance lease agreements with terms ranging from 3 to 5 years. The Entity's finance leases generally do not contain any material restrictive covenants or residual value guarantees. The assets and liabilities under finance leases are recorded at the present value of the minimum lease payments and are included as a component of equipment, furniture and fixtures. The assets are depreciated over the lesser of their related lease terms or their estimated useful lives. Included in equipment is the cost of assets acquired under finance leases of approximately \$778k and \$594k as of December 31, 2022 and 2021, respectively. Amortization expense on capital leases is included with depreciation and amortization expense on the statements of operations.

Operating lease cost and sub-lease income is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 6,438
Finance lease cost—amortization of right-of-use assets	231
Finance lease cost—interest on lease liabilities	25
Sublease income, gross	(549)
Total lease cost	\$ 6,145

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)**Note 6. Leases (continued)**

Supplemental cash flow information related to leases is as follows for the year ended December 31, 2022:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash outflows—payments on operating leases	\$	6,438
Operating cash outflows—payments on finance leases		25
Financing cash outflows—payments on finance leases		231

Right-of-use assets obtained in exchange for new lease obligations:

Operating leases	\$	72,694
Finance leases		595

Weighted-average remaining lease term:

Operating leases	20.71 years
Finance leases	3.24 years

Weighted-average discount rate:

Operating leases	3.27%
Finance leases	4.10%

Future undiscounted cash flows at December 31, 2022 are as follows:

	Operating Leases	Finance Leases
Years ending:		
2023	\$ 5,456	\$ 242
2024	5,026	195
2025	4,851	147
2026	4,356	27
2027	3,601	7
Thereafter	34,719	-
Total lease payments	\$ 58,009	\$ 618
Less imputed interest	(17,260)	(114)
Total present value of lease liabilities	\$ 40,749	\$ 504

Note 7. Goodwill and Intangibles Assets and Liabilities

The Company's Goodwill is held under a single reporting unit. The carrying amount of goodwill was \$4,742 on December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, the Company recorded amortization of intangible assets and liabilities of \$749 and \$697, respectively. Intangibles, net on December 31, 2022 and 2021 consisted of the following:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Goodwill and Intangibles Assets and Liabilities (continued)

	2022	2021
Franchise agreements	\$ 10,000	\$ 10,000
Less: Accumulated amortization	(8,333)	(7,619)
	<u>1,667</u>	<u>2,381</u>
Tradename	700	700
Less: Accumulated amortization	(408)	(373)
	<u>292</u>	<u>327</u>
Lease Advantage	-	657
Less: Accumulated amortization	-	(657)
	<u>-</u>	<u>-</u>
Total Intangibles, net	<u>\$ 1,959</u>	<u>\$ 2,708</u>

Future amortization of intangible assets is estimated as follows:

2023	749
2024	749
2025	273
2026	35
2027	35
Thereafter	118
Total	<u>\$ 1,959</u>

Note 8. Debt

Revolving Lines of Credit: Borrowings under revolving lines of credit on December 31, 2022, and 2021 consisted of the following:

	2022	2021
Installment contracts receivable line of credit	\$ 66,941	\$ 64,737
Inventory line of credit	5,150	500
Warehouse facility	80,995	-
Total revolving lines of credit	153,086	65,237
Less: Unamortized debt issuance costs	(1,108)	(912)
Revolving lines of credit, net	<u>\$ 151,978</u>	<u>\$ 64,325</u>

Installment Contracts Receivable Line of Credit: Finance had a \$100M loan facility comprised of \$40,000 revolving line of credit capacity and \$60,000 term loan capacity (collectively referred to as "Loan and Servicing Agreement" or "LSA") in 2021 and to November 21, 2022. As a part of a series of transactions that the Company completed on November 22, 2022, the maximum revolving line of credit was increased to a \$50,000 capacity limit and the term loan capacity was decreased to \$38,290. A Tranche B Loan commitment in the amount of \$7,500 was also established within the LSA to be used to supplement the advance rate on eligible collateral in the warehouse facility.

The credit facility requires monthly interest payments. Outstanding borrowings are secured by substantially all the assets of the Company apart from certain assets defined in the debt agreement, such as contracts included in the securitization trusts, real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes,

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 8. Debt (continued)

employee benefits and each deposit account related to the contracts included in the securitization trusts.

During 2021, Amendments No. 14 through 16 were completed to the LSA to address certain key items including modifying certain language for definitions for subordinated debt related to a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the minimum liquidity covenant, to document an increase to the facility advance rate, to modify certain language for definition around minimum liquidity and to adjust eligibility levels for customer installment sale contracts and certain borrow base concentrations, and to modify the definition of leverage ratio and adjust related covenant levels.

During 2022, Amendments No. 17 through 29 were completed to the LSA to address certain key items including to the update certain definitions that includes those associated with a new 2nd lien facility established in November, to modify advance rates and waivers to certain covenant breaches, including a minimum fixed charge coverage ratio (June through December), a 3-month rolling delinquency ratio (September through December), a 3-month rolling chargeoff ratio (December) and a leverage ratio (October), and to modify the facility maturity date.

The base minimum applicable margin interest rate was 5.50% for the revolver and 5.00% for the term loan on December 31, 2022, and 2021, respectively. The effective total interest rates were 17.62% and 5.72% for the periods ended December 31, 2022, and 2021, respectively. The current maturity date of the LSA is June 12, 2024.

Inventory Line of Credit: In December 2020, Sales entered a new \$17,500 committed inventory line of credit facility with a finance company. With lender approval, the facility commitment was increased to \$20,000 on March 3, 2022. On November 22, 2022, the facility commitment was reduced to \$11,000 through March 31, 2023, and then it reduces down to \$8,000 thereafter to maturity.

Borrowings under this facility incur interest at a base LIBOR rate plus an applicable base margin interest rate. The facility matures at the earliest of 90 days prior to the maturity date of any Subordinated Debt, the date on which the agreement has been terminated and all obligations under this facility have been repaid in full or December 3, 2023. The applicable base margin interest rate and effective total interest rate for the period ended December 31, 2021, were 5.50% and 26.62%, respectively. The applicable base margin interest rate and effective total interest rate for the period ended December 31, 2022, were 17.62% and 12.91%, respectively.

During 2021, Amendments No. 2 through 5 were completed to the inventory line of credit agreement to address certain key items including to modify certain language related to subordination of a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the minimum liquidity covenant for definitions of subordinated debt and minimum liquidity, to modify certain language around eligibility criteria for in-transit inventory, to modify certain language around eligibility criteria for in-transit inventory and reserve levels against the borrowing base, as well as modifying language around the minimum liquidity covenant, and to modify the definition of leverage ratio and adjust related covenant levels.

During 2022, Amendments No. 6 through 14 were completed to the inventory line of credit agreement to address certain key items including to modify the facility maturity date, to update certain definitions within the agreement including those associated with a new Related Party Term Loan and Security Agreement established in November, to modify applicable margin rates, and to modify the facility commitment levels, as previously described.

The outstanding balances for the facility were \$5,150 and \$500 as of December 31, 2022, and 2021, respectively. The current maturity date of the facility is June 12, 2024.

Warehouse Facility: Effective August 22, 2014, CNART Warehouse Funding I, LLC established a warehouse facility with Deutsche Bank ("DB") to hold installment contracts intended to be included in

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

future asset-backed securitizations. Collateral consists of retail installment contracts transferred non-recourse from Finance to CNART Warehouse Funding I, LLC. As of December 31, 2022, borrowings were limited to the maximum of \$113,000 or the borrowing base calculated by applying an advance rate to the eligible installment contracts receivable balance as defined. Monthly interest payments are required with interest determined by a spread over 3-month LIBOR. In addition, a fee is paid monthly on the unused portion of the facility. This fee is equal to 40 basis points when the outstanding balance is greater than 50% of the commitment and during the 120-day period following a securitization, otherwise it is 60 basis points.

On April 28, 2021, the Company entered a 3-month LIBOR interest rate cap derivative with quarterly notional values of \$100,000 through April 30, 2023. This facility requires the Company to maintain an interest rate cap derivative if certain 3-month LIBOR criteria have been met, which was met as of December 31, 2022. The interest rate cap had a fair value of \$1,395 and \$143 on December 31, 2022, and 2021, respectively.

During 2021, Amendment No. 4 was completed to change certain language around the definition of net spread.

During 2022, Amendment No. 5 through 10 were completed to the warehouse facility to address certain key items including adjusting the borrowing base leverage ratio related to the Class B portion of the facility, adjusting the covenant level for the leverage ratio calculation and updating the measurement date and levels related to the borrowing base delinquency trigger, providing waivers on certain items including a tangible net worth covenant (September through October) and a 3-month rolling managed portfolio delinquency measurement (July through December), updating the agreement for the transition from LIBOR to SOFR and for certain items associated with a new 2nd lien facility completed in November, to step down the Class A portion of the facility from \$100,000 to \$90,000 in December and then further to \$80,000 in February 2023, and to modify the facility maturity date.

The outstanding amount payable on the warehouse facility was \$80,995 and \$0 as of December 31, 2022, and 2021, respectively.

Subordinated Notes Payable and Contingent Value Rights:

Borrowings under subordinated notes payable on December 31, 2022, and 2021, consisted of the following:

	2022	2021
Term loan and security agreement	\$ -	\$ 54,280
Related party term loan and security agreement	33,323	-
Unsecured subordinated promissory notes	1,600	1,600
Related party promissory notes	9	48,241
Total subordinated notes payable	34,932	104,121
Less: Discount on notes payable	-	(274)
Less: Unamortized debt issuance costs	(239)	(248)
Subordinated notes payable, net	\$ 34,693	\$ 103,599

	2022	2021
Contingent Value Rights		
Related Party, Contingent Value Right #1	\$ 50,000	\$ -
Contingent Value Right #2	45,637	-
	\$ 95,637	\$ -

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

In January 2021, the Company entered into four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling \$1,600, and the notes share the same terms. The annual interest rate for the notes is equal to the greater of the Prime Rate and 3.00%. Interest for the notes is paid monthly. The balance of the notes was \$1,600 on December 31, 2022, and 2021, respectively. The maturity date of the notes is January 29, 2024.

In February 2021, FRB issued an irrevocable standby letter of credit to the Company in an amount not to exceed \$2,000. This letter of credit had an original expiration date of December 31, 2021, but it was voluntarily cancelled by the Company in June 2021.

Term Loan and Security Agreement: Effective August 22, 2014, Finance entered into a Term Loan and Security Agreement ("TLSA") with various entities which are now controlled by KKR & Co., Inc. (KKR). Outstanding borrowings were secured by certain assets of the Company excluding certain assets of Sales, Franchising and certain other assets defined in the debt agreement, such as real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes or employee benefits.

Through June 2022, the note had interest at LIBOR plus 10%, subject to a LIBOR floor of 1.25%. The note also included a Payment In Kind (PIK) interest rate of 0.50% and the Company had the option to convert an additional 3% of current period interest to PIK. In July 2022, the interest rate was increased to SOFR plus 16% and the TLSA was updated to include a PIK conversion option on the interest.

On November 22, 2022, Finance reached a settlement agreement with KKR to extinguish the total TLSA outstanding note balance in exchange for a \$7,500 one-time cash payment, a CVR (CVR #2) and a \$5,000 non-interest bearing and non-voting portion of a new Related Party Term Loan and Security Agreement and the Company accounted for this as troubled debt restructuring. See additional discussion in Contingent Value Rights below.

For the periods ended December 31, 2022, and 2021, the interest rate on the TLSA was 11.75% and 11.75%, respectively. The total balance of the TLSA note that includes PIK interest elections was \$0 and \$54,280 as of December 31, 2022, and 2021, respectively.

Related Party Term Loan and Security Agreement: In November 2022, Byrider Holding Corp. entered into a term loan security agreement with its majority shareholder, Altamont, and other third party lenders that is classified into a two tranches, Tranche A commitment of \$27,850 and Tranche B loans of subordinated lenders of \$5,000. The Tranche A loan bears interest at an annualized PIK rate of 20% compounded monthly, whereas the Tranche B is non-interest bearing and non-voting. The loan maturity date is the earlier of November 22, 2026, and the date on which the principal amount has been declared or automatically have become due and payable under certain conditions. As of December 31, 2022, the total balance of the note that includes accumulated PIK interest was \$33,323. As part of this transaction a CVR agreement (CVR #3) was signed and contains definitions and terms around monetization events of the Company and how the associated CVR values would be determined, including related payment amounts.

Contingent Value Rights: In September 2022, Byrider Holding Corp. entered into a Related Party Contingent Value Right ("CVR") Exchange Agreement with Byrider Investments, LLC and Altamont Capital Management, L.P. ("CVR #1"), under which the Subordinated Promissory Notes, dated as of March 30, 2018 and December 30, 2020, in the principal amounts of \$20,423 and \$5,300, respectively, accumulated PIK interest was \$29,816, management fees \$3,532 and excess of \$9,071 were exchanged for a CVR stated amount of \$50,000. The amount in excess of \$50,000 of was forgiven and included in paid in capital. The CVR Exchange Agreement contains definitions and terms around monetization events of the Company and how the associated CVR values would be determined, including related payment amounts and the CVR liability extinguishment. On November 22, 2022, this

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

Related Party CVR Agreement was further modified in connection with the termination and extinguishment of the TLSA previously controlled by KKR. As of December 31, 2022, \$50,000 is recorded as a contingent liability in accordance with U.S. GAAP requirements.

On November 22, 2022, in connection with the termination and extinguishment of the TLSA previously controlled by KKR, Byrider Holding Corp. entered into a Related Party Contingent Value Right ("CVR") Exchange Agreement with Byrider Investments and MidCap Funding Investment IX, LLC ("CVR #2"). Payment is contingent upon the sale of the Company based on predefined terms. The CVR Exchange Agreement contains definitions and terms around monetization events of the Company and how the associated CVR values would be determined, including related payment amounts and the CVR liability extinguishment. All remaining principal and accrued interest was recorded as a CVR, no gain or loss was recognized. As of December 31, 2022, \$45,637 is recorded as a contingent liability in accordance with U.S. GAAP requirements.

Promissory Notes: The Company received a loan from Fifth Third Bank, N.A. in the amount of \$5,282 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 7, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. On June 28, 2021, the Company was informed that the entire principal balance amount of \$5,282 and accrued interest of \$59 were forgiven. The Company accounted for this as forgiveness of debt and recognized it as other income on the consolidated statement of income.

Related Party Promissory Notes: On March 30, 2018, and December 30, 2020, the Company entered into unsecured promissory notes with its majority shareholder, Altamont, in the amount of \$20,423 and \$5,300, respectively. The notes mature on March 29, 2024, and bear a 20% interest rate compounded semiannually. The Company may elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each payment. In 2022, these notes were exchanged into a CVR. Payment is contingent upon a sale of the Company based on predefined terms and the Company accounted for this as troubled debt restructuring. The combined balance of the notes, which includes PIK interest elections, was \$9 and \$48,241 as of December 31, 2022, and 2021, respectively.

Mortgages and Capital Leases: The Company has various mortgage notes payable and capital leases totaling \$356 and \$631 to different financial institutions with monthly installments of principal and interest at rates ranging from 5.25% to 6.50% as of December 31, 2022 and 2021, respectively. The notes have due dates ranging between the years of 2021 to 2026 and are secured by office buildings and land.

As of December 31, 2022, the aggregate principal payments required by the above long-term obligations and the three promissory notes were as follows:

Payable in:	Principal
2023	\$ 81,070
2024	73,760
2025	73
2026	33,472
2027	-
	<u>\$ 188,375</u>

The revolving lines of credit, the warehouse facility and the term loan contain, among other provisions, certain restrictive financial covenants including maintenance of a minimum fixed charge ratio, minimum liquidity level, maximum leverage ratio, minimum tangible net worth, minimum loss reserve amount,

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

maximum delinquency requirement, maximum charge off percentage, and certain restrictions on distributions including certain dividend payments.

On August 13, 2019, the Company entered into an asset-backed security transaction where \$134,610 was secured by \$152,648 of retail installment contracts and cash equivalents held in trust ("CNART 2019-1"). The following table is a summary of the securitization transaction as of December 31, 2022:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2019-1	\$ 134,610	\$ -	\$ -	\$ -

Class	Rating	Interest Rate	2022	2021
A	AA	2.72%	\$ -	\$ -
B	A	2.71%	-	4,197
C	BBB	3.36%	-	22,300
D	BB	4.62%	-	10,140
			\$ -	\$ 36,637

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 2.72% to 4.62% on December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2019-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The Company exercised this option and retired the bonds in September 2022.

On July 7, 2020, the Company entered into an asset-backed security transaction where \$118,730 was secured by \$148,050 of retail installment contracts and cash equivalents held in trust ("CNART 2020-1"). The following table is a summary of the securitization transaction as of December 31, 2022:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2020-1	\$ 118,730	\$ 26,705	\$ 35,609	\$ 2,961

Class	Rating	Interest Rate	2022	2021
A	AA	1.76%	\$ -	\$ 1,654
B	A	2.71%	-	11,840
C	BBB	3.84%	7,455	20,730
D	BB	7.36%	12,950	12,950
E	B	8.71%	6,300	6,300
			\$ 26,705	\$ 53,474

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 1.76% to 8.71% on December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2020-1 securitization was rated in tranches at its inception with credit ratings of AA to B by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$35,309 as of December 31, 2022.

On April 21, 2021, the Company entered into an asset-backed security transaction where \$126,210 was secured by \$142,155 of retail installment contracts and cash equivalents held in trust ("CNART 2021-1"). The following table is a summary of the securitization transaction as of December 31, 2022:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2021-1	\$ 126,210	\$ 43,533	\$ 53,874	\$ 2,132

Class	Rating	Interest Rate	2022	2021
A	AA	0.97%	\$ -	\$ 33,146
B	A	1.38%	6,863	10,660
C	BBB	2.16%	19,900	19,900
D	BB	3.64%	9,520	9,520
E	B	5.12%	7,250	7,250
			<u>\$ 43,533</u>	<u>\$ 80,476</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 0.97% to 5.12% on December 31, 2022. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities.

The CNART 2021-1 securitization was rated in tranches at its inception with credit ratings of AA to B by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 10% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$53,874 as of December 31, 2022.

On November 4, 2021, the Company entered into an asset-backed security transaction where \$168,810 was secured by \$188,615 of retail installment contracts and cash equivalents held in trust ("CNART 2021-2"). The following table is a summary of the securitization transaction as of December 31, 2022:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 8. Debt (continued)

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2021-2	\$ 168,810	\$ 93,675	\$ 109,206	\$ 2,829

Class	Rating	Interest Rate	2022	2021
A	AAA	0.73%	\$ -	\$ 55,948
B	AAA	1.30%	43,125	52,810
C	BBB	1.69%	12,830	12,830
D	BB	2.25%	24,890	24,890
E	B	4.45%	12,830	12,830
			<u>\$ 93,675</u>	<u>\$159,308</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 0.73% to 4.45% on December 31, 2021. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities.

The CNART 2021-1 securitization was rated in tranches at its inception with credit ratings of AAA to BB- by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 10% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$109,206 as of December 31, 2022.

On May 5, 2022, the Company entered into an asset-backed security transaction where \$132,150 was secured by \$153,235 of retail installment contracts and cash equivalents held in trust ("CNART 2022-1"). The following table is a summary of the securitization transaction as of December 31, 2022:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2022-1	\$ 132,150	\$ 96,926	\$ 109,220	\$ 2,298

Class	Rating	Interest Rate	2022	2021
A	AAA	3.44%	\$ 15,106	\$ -
B	AA	4.89%	35,850	-
C	A-	5.50%	10,270	-
D	BBB-	5.79%	17,930	-
E	BB-	8.29%	17,770	-
			<u>\$ 96,926</u>	<u>\$ -</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 3.44% to 8.29% on December 31, 2022. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 8. Debt (continued)

certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities.

The CNART 2021-1 securitization was rated in tranches at its inception with credit ratings of AAA to BBB- by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 10% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$109,220 as of December 31, 2022.

The debt maturities of securitized debt are determined based on the expected future cash flows of the assets included in the securitization. The secured notes payable of consolidated VIEs presented on the accompanying balance sheet related to these asset-backed securities transactions are presented net of their related net debt issuance costs of \$2,056 and \$2,558 on December 31, 2022 and December 31, 2021, respectively. The following table is a summary of secured notes payable of consolidated VIEs, net:

	2022	2021
CNART 2019-1	\$ -	\$ 36,637
CNART 2020-1	26,705	53,474
CNART 2021-1	43,533	80,476
CNART 2021-2	93,675	159,308
CNART 2022-1	96,926	-
Total Secured notes payable of consolidated VIEs	260,839	329,895
Less: Discount on securitized notes	(86)	(176)
Less: Unamortized debt issuance costs	(2,056)	(2,558)
Secured notes payable of consolidated VIEs, net	\$ 258,697	\$ 327,161

As of December 31, 2022, the aggregate principal payments required or estimated to be paid by the above long-term obligations including revolving lines of credit, term loan and security agreement, promissory notes, mortgages, and secured notes payable were as follows:

Payable in:	Principal
2023	\$ 200,612
2024	141,097
2025	46,672
2026	60,833
2027	-
	<u>\$ 449,214</u>

Note 9. Related Party Transactions

As part of the acquisition by Altamont, the Company agreed to pay Altamont a quarterly management fee plus out of pocket expenses. During the periods ended December 31, 2022 and 2021, the Company recorded management fee expense of \$1,179 and \$997, respectively. The Company also entered into a consulting agreement with an employee of Altamont. For each of the periods ended December 31, 2022 and 2021, the Company recorded an expense of \$6 and \$111, respectively related to this consulting agreement.

The Company utilizes Credit Max Collection Agency, Inc. ("Credit Max"), a related party with similar

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements **(In thousands except share and per share amounts)**

Note 9. Related Party Transactions (continued)

ownership to the Predecessor Company, to perform bad debt recovery. As part of the agreement, Credit Max retains 50% of recoveries as a fee. For the periods ended December 31, 2022 and 2021, the Company paid Credit Max \$2,367 and \$2,527, respectively, related to these agreements.

The Company has operating lease agreements with related parties for store locations and office space with lease terms expiring between 2022 and 2029. Rental expense for related party operating leases was \$1,131 and \$1,146 for the periods ended December 31, 2022 and 2021, respectively.

Note 10. Commitments and Contingencies

In connection with the disposition of certain land and buildings in 2016, the Company entered into a long-term operating lease. The lease is classified as an operating lease and the gain realized on this transaction has been deferred and is being credited to income over the initial 10-year lease term. For the periods ended December 31, 2022 and 2021, the deferred gain totaled \$1,995 and \$2,399, respectively, and is reflected in the accompanying Consolidated Balance Sheet as Deferred revenue.

The Company is a party to other various lawsuits and claims arising in the normal course of business. While the ultimate resolution of lawsuits or claims against the Company cannot be predicted with certainty, management is vigorously defending all claims and does not expect that these matters will have a material adverse effect on the financial position or results of the operations of the Company.

The SBA has indicated that all forgiveness applications may be subject to audit during the required document retention period, which ends 6 years from the date of forgiveness. Should an audit occur, management believes the final disposition of such proceedings would not have a material impact on the Company's financial statements.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands except share and per share amounts)

Note 11. Provision for Income Taxes

The Company's income tax provision is as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Current		
Federal	\$ 1,410	\$ -
State	486	403
	<u>1,896</u>	<u>403</u>
Deferred		
Federal	2,296	(2,711)
State	(1,955)	261
	<u>341</u>	<u>(2,450)</u>
Total income tax expense	<u>\$ 2,237</u>	<u>\$(2,047)</u>
Deferred tax assets:		
Transaction costs	\$ 435	\$ 555
Identified intangible assets	2,410	2,564
Fixed assets	1,107	736
Deferred revenue	7,790	7,179
Other	174	168
Net operating loss carryforwards	19,506	27,492
Interest Rate Cap	25	44
ASC 842 Leases	66	-
Cancellation of debt income	12,487	-
Contracts receivable	5,314	-
Valuation allowance	(48,676)	(34,405)
Deferred tax assets	<u>638</u>	<u>4,333</u>
Deferred tax liabilities:		
Contracts receivable	-	(3,316)
Inventory	(193)	(581)
Other	(883)	(131)
Goodwill	(183)	(585)
Deferred tax liabilities	<u>(1,259)</u>	<u>(4,613)</u>
Total deferred tax liability	<u>\$ (621)</u>	<u>\$(280)</u>

As of December 31, 2022 and 2021, the Company maintained a valuation allowance of \$48,676 and \$34,405, respectively. As discussed in Note 1, the company elected to file consolidated federal income tax returns beginning with the 2021 return. The 2021 and 2022 valuation allowances are computed on a consolidated basis. The allowances were recorded due to cumulative consolidated pre-tax losses for the prior three years and management has concluded there is not sufficient positive evidence to determine the tax assets will be utilized. Prior to 2021, federal income tax expense was computed separately for each company therefore the federal deferred tax assets, liabilities and valuation allowance were computed on a separate company basis. The 2021 tax expense includes a benefit for the decrease in the valuation allowance that relates to election to file a consolidated federal return.

The election to file consolidated federal returns allows the companies to share NOLs generated by Holding, Systems Acquisitions, Sales Acquisition, and CPI. As of December 31, 2022, the consolidated federal net operating loss is \$66,167. The remaining federal net operating loss has an indefinite carryover period and will never expire.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 11. Provision for Income Taxes (continued)

As discussed in Note 1, the Companies file certain state income tax returns on a separate company basis. For the years ended December 31, 2022 and 2021, Systems Acquisition had separate company state net operating loss carryforwards of approximately \$5,547 and \$7,500, respectively. State net operating loss carryforwards expire in varying amounts beginning in 2029. Systems Acquisition also has separate company city net operating loss carryforwards of approximately \$68 and \$1,200 respectively that begin to expire in 2022.

For the years ended December 31, 2022 and 2021, Sales Acquisition had separate company state net operating loss carryforwards of approximately \$64,939 and \$58,400, respectively. State net operating loss carryforwards begin to expire in 2030. Sales Acquisition has separate company city net operating loss carryforwards of \$30,330 and \$13,500, respectively that begin to expire in 2022.

For the years ended December 31, 2022 and 2021, Holding only files in consolidated or combined filing states and therefore has no separate company state net operating loss carryovers on a standalone basis.

As discussed in Note 1, the Companies file certain state income tax returns on a combined or consolidated basis. For the years ended December 31, 2022 and 2021, the Companies had consolidated and/or combined net operating carryforwards of \$19,945 and \$8,770, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2022.

The Company's effective tax rate differs from the expected 21% primarily attributable to the change in the valuation allowance on deferred tax assets, state and city tax expense and permanent items.

Certain provisions of the CARES Act impact the 2022 and 2021 income tax provision computations of the Company. The CARES Act contained modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increased the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income. Starting in 2021, the allowable business interest deduction will be limited to 30% of ATI. Starting in 2022, adjusted taxable income is computed with the deductions for depreciation, amortization, and depletion. However, for 2022, on a consolidated basis, the Company has sufficient business interest and is not subject to the Section 163(j) limitation.

The Company elected to defer payment of the employer's portion of Social Security Taxes, another provision of the CARES Act. The balance of this deferral for Sales Acquisition is \$988 as of December 31, 2020 and was included in accounts payable and accrued expenses in the consolidated balance sheet. The amount was paid during 2021.

The Company is generally not subject to income tax examinations by federal tax authorities before 2019 and before 2016 for state taxing authorities. However, tax authorities can adjust net operating loss carryforwards generated before these dates.

Note 12. Extended Service Contracts

The extended service contract is an optional ancillary product for a customer to purchase aside a vehicle and replaced the imbedded warranty that had previously been included with the purchase of each vehicle. The extended service contract is a refundable, 48-month, 60,000-mile contract. By July 3, 2018, all markets had adopted the refundable extended service contract as an optional ancillary product with a vehicle sale. The Company defers the revenue from each sale at the time of the sale and recognizes the revenue ratably over the life of the contract. Costs to service these contracts are expensed when incurred. The Company believes the unearned deferred revenue is sufficient to cover future claims and refund obligations. Changes in the Company's extended service contract deferred revenue balance, which is included in deferred revenue, for the years ended December 31, 2022 and 2021 are as follows:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 12. Extended Service Contracts (continued)

	2022	2021
Balance, beginning	\$ 68,666	\$ 57,336
Add: New contracts (net)	49,718	66,776
Less: Cancellations	(17,236)	(28,733)
Less: Recognized Revenue	(35,079)	(26,713)
Balance, ending	<u>\$ 66,069</u>	<u>\$ 68,666</u>

Note 13. Reinsurance Activity

The Company makes available an optional collateral protection insurance product to its customers in connection with its lending operations. The following is a summary of net premiums written and reinsured and total earned premiums for the years ended December 31:

	2022	2021
Net premiums written	\$ 6,420	\$ 4,849
Earned premiums	6,420	4,849

The Company is required to maintain actuarially determined cash reserves which totaled \$459 and \$365 on December 31, 2022 and 2021, respectively. The Company had a payable of \$564 and \$456 on December 31, 2022 and 2021, respectively, which consisted of premiums collected from its customers and due to a third-party insurance company.

Note 14. Reserve for Insurance Claims

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	2022	2021
Balance, beginning	\$ 498	\$ 346
Add: Provision for insurance claims	5,135	4,165
Less: Claims paid	(5,178)	(4,013)
Balance, ending	<u>\$ 455</u>	<u>\$ 498</u>

The above amounts are included in the accrued expenses of the balance sheet. The nature of the premiums are bi-weekly or monthly in nature of these premiums, the loss emergence period would fall within the policy period.

Note 15. Stockholders' Equity

On March 4, 2011, Byrider Holding Corp., a Delaware entity, was formed. On May 2, 2011, Holding's certificate of incorporation was amended and restated to reflect the final terms of the acquisition of the Company. The total number of shares of capital stock that Holding had authority to issue was 107,500 consisting of 25,000 shares of Class A Preferred Stock ("Class A Preferred Stock"), par value \$0.001, 75,000 shares of Class B Common Stock ("Class B Common Stock"), par value \$0.001, and 7,500 shares of Class C Common Stock ("Class C Common Stock"), par value \$0.001 (Class B Common Stock and Class C Common Stock collectively "Common Stock").

On March 29, 2018, the Company amended its certificate of incorporation to increase the total number of shares of capital stock authorized to issue to 160,000 shares, consisting of 25,000 Class A Preferred Stock, par value \$0.001 per share, 10,000 shares of Class A Common Stock, par value \$0.001 per share, 75,000 shares of Class B Common Stock, par value \$0.001 per share, and 50,000 shares of Class C Common Stock, par value \$0.001 per share.

On December 30, 2020, the Board of Directors of the Company approved the issuance of 5,300 of Class C Common Stock, par value \$0.001 per share.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 15. Stockholders' Equity (continued)

Class A Preferred Stock has no voting rights (except as is required by law) and is to have quarterly dividends paid at a rate of 4.5% per annum for the period beginning on the date such share of Class A Preferred Stock is issued through the third anniversary of such date of issuance and 6.5% per annum thereafter. So long as any share of Class A Preferred Stock remains outstanding, the Company will not declare, pay or make any distribution relating to, or redeem, purchase, acquire or make a liquidation payment relating to Common Stock or any other class or series of securities of the Company now existing or hereafter authorized over which the Class A Preferred Stock has preference or priority in payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company except for repurchases from employees approved by the Board of Directors. The Company may, at its option, at any time and from time to time other than in connection with a change of control, redeem all or any portion of the outstanding shares of Class A Preferred Stock; provided that any such redemption shall be in an amount equal to not less than the lesser of (i) 25% of the aggregate Class A Preferred Stock base amount, which is \$1,000 per share, of those shares of Class A Preferred Stock issued in connection with the Altamont acquisition and (ii) all shares of Class A Preferred Stock. The Company may, at its option, redeem all (but not less than all) outstanding shares of Class A Preferred Stock in connection with a change of control as defined in the amended and restated certificate of incorporation of Holding.

Subject to the powers, preferences, rights and privileges of any class of stock having any preference or priority over, or rights superior to, the Common Stock, the holders of Common Stock have and possess all powers and voting and other rights pertaining to the capital stock of the Company. All holders of Common Stock shall vote together as a single class, with each share of Common Stock being entitled to one vote on all matters to be voted on by the stockholders.

All liquidating distributions shall be made to the holders of shares of capital stock outstanding on the date of such liquidating distribution in the following priority:

1. First, the holders of shares of Class A Common Stock shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to the applicable base amount plus an amount sufficient to generate an internal rate of return thereon equal to twenty percent per annum, compounded quarterly. If the remaining assets of the Company available for distribution are insufficient to pay the holders of shares of Class A Common Stock the full amounts to which they shall be entitled, the holders of such shares shall share ratably in such liquidating distribution in proportion to the respective amounts which otherwise would be payable in respect of the shares held by them in connection with such distribution if the full amount payable on or with respect to such shares were paid in accordance with this point 1.
2. Second, after the full required amount of liquidating distributions have been made pursuant to point 1, the holders of shares of Class A Preferred shall be entitled to receive all liquidating distributions until there has been paid with respect to each such share an aggregate amount equal to the accrued but unpaid dividends attributable to such shares of Class A Preferred Stock.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 15. Stockholders' Equity (continued)

3. Third, after the full required amount of liquidating distributions have been made pursuant to points 1 and 2 above, (i) the holders of shares of Class A Preferred Stock shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to its base amount of \$1,000 per share and (ii) the holders of shares of Class B Common Stock, as a single and separate class, shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to the applicable Class B Common Stock base amount of \$1,000 per share plus an amount sufficient to generate an internal rate of return thereon equal to 10% per annum, compounded quarterly. Such internal rate of return shall be calculated in accordance with accepted financial practices, treating the Class B Common Stock base amount of \$1,000 per share as having been paid for such share on May 2, 2011 and each liquidating distribution with respect to the Class B Common Stock as having been made on the date it is actually paid by the Company. If the remaining assets of the Company available for distribution pursuant to this point 3 are insufficient to pay the holders of shares of Class A Preferred Stock and Class B Common Stock the full amounts to which they shall be entitled pursuant to this point 3, the holders of such shares shall share ratably in such liquidating distribution in proportion to the respective amounts which otherwise would be payable in respect of the shares held by them in connection with such distribution if the full amount payable on or with respect to such shares were paid in accordance with this point 3.
4. Fourth, after the full required amount of liquidating distributions have been made pursuant to 1 through 3 above, all holders of the shares of Common Stock, as a single class, shall thereafter be entitled to receive all remaining liquidating distributions pro rata based on the number of outstanding shares of Common Stock held by each holder.

All liquidating distributions described in points 1 through 4 above shall be made ratably among the holders of the class or classes of capital stock in question, based upon the number of shares held by such holders. For purposes of point 2, distributions paid to holders of Class A Common Stock and Class B Common Stock pursuant to point 3 will be treated as liquidating distributions previously paid to such holders pursuant to point 2 above.

The Company paid \$0 of dividends to the Class A Preferred Stock stockholders during either of the periods ended December 31, 2022 and 2021. For the periods ended December 31, 2022 and 2021, dividends payable was \$10,563 and \$7,313, respectively and are included in accrued expenses on the balance sheet.

2012 Equity Incentive Plan

On December 31, 2012, the Board of Directors of the Company approved the Byrider Holding Corp. 2012 Equity Incentive Plan ("2012 Equity Plan"). The 2012 Equity Plan allows the Company to issue up to 11,300 shares of stock to those key employees, directors, consultants and advisors to the Company who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The issuances under the 2012 Equity Plan can be any combination of the following: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) unrestricted stock, (v) stock units including restricted stock units, (vi) performance awards and (vii) awards (other than awards described in (i) through (vi) above) that are convertible into or otherwise based in Stock. The vesting period of the issuance under the 2012 Equity Plan is at the discretion of the Board of Directors and will have a maximum term not to exceed ten years from the date of grant. As of December 31, 2022 and 2021, 10,331 shares of restricted Common C were issued under the 2012 Equity Plan. The recipients of the awards paid or will pay cash for these restricted shares and is reflected as equity contributions for the fair value of the awards. As of December 31, 2022 and 2021, proceeds from 10,331 shares have been received. The Company has recorded compensation expense of \$0 for the periods ended December 31, 2022 and 2021, respectively. The fair value of the awards is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 15. Stockholders' Equity (continued)

Expected volatilities are based on historical volatility of the Company's stock. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

2011 Phantom Equity Plan

On May 3, 2011, the Board of Directors of the Company approved the Byrider Holding Corp. 2011 Phantom Equity Plan ("2011 Phantom Plan"). The Equity Plan allows the Company to grant up to 7,500 shares of Class C Common Stock units to those key employees, directors, consultants and advisors to the Company or related entities, who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The vesting period of the shares is at the discretion of the Board of Directors. The Class C Common Stock is only payable upon a liquidating event based upon the liquidation preferences of the Common Stock and as a result, no compensation expense will be recorded until a liquidity event occurs. As of December 31, 2012 the Board of Directors amended and restated the 2011 Phantom Plan ("Amended 2011 Phantom Plan"). The Amended 2011 Phantom Plan allows for 11,299.8 shares of Class C Common Stock Units to be available for issuance under the Amended 2011 Phantom Plan. As of December 31, 2022 and 2021, 10,331 shares of Class C Common Stock Units were granted in relation to this plan.

Note 16. Employee Benefit Plans

The Company sponsors an employee 401(k) plan covering substantially all employees, as defined. The Company contributions are based on a percentage of participant contributions to the Plan. For the periods ended December 31, 2022 and 2021, the Company contributed approximately \$1,635 and \$1,660, respectively, to the Plan.

The Company has a partially self-funded group health program. For 2022 and 2021, the Plan includes \$175 of specific stop loss insurance per individual per year with a minimum aggregate limit of \$7,121 and \$7,312, respectively. The Company recorded claims expense of \$5,144 and \$4,742 for the periods ended December 31, 2021 and 2020, respectively.

Note 17. Going Concern

The Company's financial statements are presented on a going concern basis. The Company has negative equity, recurring net losses, and has debt maturing within one year from the issuance date of the financial statements. This indicates there is substantial doubt about the entities ability to continue as a going concern within one year after the date the financial statements are issued.

In the fourth quarter of 2022, the Company closed 15 of its lower performing stores to reduce its operations to improve overall profitability.

In September and November of 2022, the Company negotiated the conversion of debt totaling \$104,708 in exchange for CVR's resulting in a contingent liability recorded on the balance sheet of \$95,637. These CVR's will only be paid in the event of a liquidity event or change in control of the Company as outlined in the agreements. The payment of these obligations will only be made if the sale proceeds are sufficient to cover other obligations in the priority of payments as indicated in the agreements. With these conversions, no interest will be paid on these obligations which eliminates the interest expense on these obligations from their date of issuance.

The Warehouse facility, the Installment Contracts Line of Credit and the Inventory Line of Credit all have maturity dates prior to one year after the issuance of the audited financial statements. Without renewals of each of these facilities, it would create significant pressure on the business and cause tight working capital. The Company has historically been able to renew these facilities and plans to negotiate the renewal of these debt facilities with the

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 17. Going Concern (continued)

lenders.

The Company has engaged an investment banker for assistance with a debt raise, equity raise or restructuring transaction. The Company will be entering into non-disclosure agreements (NDAs) with various parties and expects the due diligence process to start in August 2023.

If there is an equity raise and a change in control occurs, then the CVR contract provisions will be analyzed to determine if a payment is due to the CVR holders. If no payment is due, then the values of the CVR will be deemed to be insufficient and this will allow the Company to convert the outstanding CVRs, currently included in liabilities to equity. Due to this change in control provision, the Company will not require Preferred Shareholder approval to convert the CVRs to equity. The exact capital structure and type of securities have yet to be determined although the Company would expect an equity raise to be common shares or a combination of common shares and preferred equity.

However, the ability of the Company to meet its obligations of the debt facilities as they become due is dependent on future events, including raising additional capital to fulfill its activities and generating a level of revenues adequate to meet the Company's cost structure. The Companies inability to retain, refinance, or access additional capital when needed could have a negative impact on its financial condition and ability to pursue its business strategies. This causes substantial doubt about the Companies' ability to continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability of the recorded assets or the classification of liabilities. This basis of accounting contemplates the recovery of the Company's assets and satisfaction of its liabilities in the normal course of business.

Note 18. Subsequent Events

Inventory Line of Credit

Between January 1, 2023, and June 14, 2023, Amendments No. 15 through 17 were completed to the inventory line of credit agreement to provide certain financial covenant level waivers through October 2023, including a Fixed Charge Coverage Ratio ("FCCR") a 3-month rolling net chargeoff ratio, and to update the facility maturity date to the earlier of June 12, 2024, or the date on which the agreement has been terminated and all obligations have been repaid in full.

Loan and Security Agreement (LSA)

Between January 1, 2023, and July 25, 2023, Amendments No. 30 through 34 were completed to the LSA to provide certain financial covenant level waivers through October 2023, including tangible net worth, leverage ratio, the FCCR, a 3-month rolling net delinquency ratio, and a 3-month rolling net chargeoff ratio. Additional changes were made to modify advance rates within the facility, to provide additional financing through forbearance arrangements, and to modify the facility maturity date to the earlier of June 12, 2024, or the date on which the agreement has been terminated and all obligations have been repaid in full.

Within Amendment No. 30, a new \$7,500 Amortizing Loan was established with a current maturity date of June 12, 2024. The credit facility requires monthly interest payments. Outstanding borrowings are secured by substantially all the assets of the Company apart from certain assets defined in the debt agreement, such as contracts included in the securitization trusts, real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes, employee benefits and each deposit account related to the contracts included in the securitization trusts. The Amortizing Loan bears interest at a per annum rate equal to 15.00% and requires an all-in return upon maturity at 1.5x original loan balance with credits given for interest paid.

Within Amendment No. 33, a \$10,000 Tranche C Loan was established that has a current maturity date of June 12,

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 18. Subsequent Events

2024. Funding for this loan through the LSA agreement was provided by Kuvare Insurance Services LP and repayment of the outstanding principal and interest is fully guaranteed through a separate agreement with Altamont Capital Management, L.P. The Tranche C Loan bears interest at an annualized PIK per annum rate of 23% compounded monthly.

Warehouse Facility

On July 5, 2023, Amendment No.11 was completed to the warehouse facility to update levels related to the borrowing base delinquency and to required SOFR hedging triggers, to make other minor adjustments on required minimum collateral levels to the borrowing base, and to extend the maturity date to October 5, 2023.

CNART 2023-1

On February 2, 2023, the company entered into an asset-backed security transaction secured by retail installment contracts and cash equivalents held in trust (CNART 2023-1). The asset-backed securities have credit ratings from Kroll ranging from AAA to BB- and interest payable monthly at fixed rates ranging from 6.62% to 12.04%, respectively.

BYRDER HOLDING CORP
CONSOLIDATING SCHEDULE-BALANCE SHEET INFORMATION
December 31, 2022
(in thousands)

ASSETS	Byrder Sales Acquisition Corp.										Byrder Systems Acquisition Corp.										CM	Eliminations	Consolidated	
	Sales Acq.	Sales \$	Capital	SPV	Ad Group	Systems Acq	Systems	Franchising	Finance	Properties	Funding	CMART 2018-1	CMART 2018-1	CMART 2018-2	CMART 2018-2	CMART 2018-2	CMART 2018-2	CMART 2018-2	CMART 2018-2	CMART 2018-2				CMART 2018-2
Contract receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,764	\$ -	\$ -	\$ 35,609	\$ 53,674	\$ 109,206	\$ 109,206	\$ 111,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 524,571	
Accounts receivable	-	-	-	-	-	-	-	-	(65,747)	-	-	-	-	-	-	-	-	-	-	-	-	-	(65,747)	
Advances for credit losses	-	-	-	-	-	-	-	-	(38,017)	-	-	35,609	53,674	109,206	109,206	111,848	-	-	-	-	-	-	468,774	
Rochebelle, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cash	\$ -	\$ (216)	\$ -	\$ -	\$ 126	\$ -	\$ -	\$ (146)	\$ 3,748	\$ -	\$ -	\$ (0)	\$ 4,967	\$ 7,219	\$ (0)	\$ (0)	\$ 7	\$ 30	\$ -	\$ -	\$ -	\$ 3547		
Restricted cash and investments held in trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Accounts payable	-	66	-	-	842	-	4,550	4,550	8,643	-	-	4,979	14,739	(22,350)	10,844	1,220	-	-	-	-	-	28,150		
Accounts receivable, related parties	(3,019)	(88,557)	(1,272)	(22)	(76,291)	(13,343)	146,091	146,091	(84,506)	(1)	21,993	645	(11,433)	(23,500)	10,844	669	-	-	-	-	-	13,321		
Inventory	-	8,386	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,386		
Property and equipment, net	-	3,896	-	-	-	-	269	269	160	2,142	-	-	-	-	-	-	-	-	-	-	-	10,169		
ROU Asset for Operating lease, net	-	-	-	-	-	-	1,367	1,367	258	-	-	-	-	-	-	-	-	-	-	-	-	40,245		
ROU Asset for Finance lease, net	-	-	-	-	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	374		
Lease liability for operating lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,859		
Lease liability for finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,742		
Intangible, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Goodwill	-	468	-	-	-	6	1,512	447	3,021	-	-	-	-	-	-	-	-	-	-	-	-	148		
Deferred tax asset	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	148		
Other assets	\$ 5,440	(7,570)	-	-	15	87,965	88,495	770	6,210	(16)	-	-	-	-	-	-	-	-	-	-	-	8,000		
TOTAL ASSETS	\$ 2,421	\$ (38,760)	\$ (1,272)	\$ (72)	\$ 892	\$ 11,700	\$ 51,746	\$ 153,453	\$ 15,820	\$ 16,473	\$ (3)	\$ 21,993	\$ 41,233	\$ 41,008	\$ 92,330	\$ 127,447	\$ 139,154	\$ 2,099	\$ (255,762)	\$ (255,762)	\$ -	\$ 578,847		
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)																								
Notes payable	\$ -	\$ 1,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,942	\$ 569	\$ -	\$ -	\$ 36,654	\$ 43,523	\$ 93,882	\$ 96,914	\$ 80,995	\$ 246	\$ -	\$ -	\$ -	\$ 411,031		
Subordinated note payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,608	-	-	-	1,608		
Accounts payable and security agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,984	-	-	-	33,984		
Contract Value Rights	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95,037	-	-	-	95,037		
Trade accounts payable	-	9,311	-	-	744	1,391	1,915	1,915	2,528	70	-	-	-	-	-	-	-	-	-	-	-	14,489		
Accrued expenses	(10,194)	3,439	-	-	148	1,221	1,720	286	286	-	-	-	-	-	-	-	-	2,894	427	-	-	22,712		
Lease liability for operating lease	-	38,898	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,245		
Lease liability for finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,742		
Deferred revenue	-	86,069	-	-	-	-	-	516	-	-	-	-	-	-	-	-	-	-	-	-	-	504		
Deferred tax liability	15,827	-	-	-	-	(5,883)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96,584		
Total Liabilities	5,633	119,805	-	-	893	(4,292)	1,915	5,231	54,483	426	-	26,654	43,523	93,882	96,914	80,995	144,345	427	(20,053)	(20,053)	-	688,638		
STOCKHOLDERS' EQUITY																								
Class A preferred stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Class A common stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Class B common stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Class C common stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Additional paid-in capital	5,985	8,440	20	10	98	70,447	87,965	32,817	56,809	4,951	-	21,893	14,579	14,579	413	(4,364)	46,452	45,385	1,842	(255,764)	(255,764)	669		
Accumulated deficit	(18,972)	(195,135)	(1,292)	(22)	(10)	(64,455)	(7,854)	(115,392)	(146,154)	(10,898)	(3)	(21,893)	(14,579)	(14,579)	(413)	(4,364)	(46,452)	(45,385)	(1,842)	(255,764)	(255,764)	669		
Total Stockholders' Equity (Deficit)	\$ (3,212)	\$ (186,695)	\$ (1,272)	\$ (22)	\$ 893	\$ (4,292)	\$ 80,131	\$ 148,168	\$ (89,345)	\$ 15,446	\$ (3)	\$ 21,893	\$ 14,579	\$ 14,579	\$ 413	\$ (4,364)	\$ 46,452	\$ 45,385	\$ 1,842	\$ (255,764)	\$ (255,764)	669		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,421	\$ (38,760)	\$ (1,272)	\$ (72)	\$ 892	\$ 11,700	\$ 51,746	\$ 153,453	\$ 15,820	\$ 16,473	\$ (3)	\$ 21,993	\$ 41,233	\$ 41,008	\$ 92,330	\$ 127,447	\$ 139,154	\$ 2,099	\$ (255,762)	\$ (255,762)	\$ -	\$ 578,847		

BYRIDER HOLDING CORP.
CONSOLIDATING SCHEDULE-STATEMENT OF OPERATIONS INFORMATION
Year Ended December 31, 2022
(In thousands)

	Byrider Sales Acquisition Corp.		Byrider Systems Acquisition Corp.										Byrider Sales Acquisition Corp.	
	Subs 1-250	Subs 251-500	Subs 501-750	Subs 751-1,000	Subs 1,001-1,250	Subs 1,251-1,500	Subs 1,501-2,000	Subs 2,001-2,500	Subs 2,501-3,000	Subs 3,001-3,500	Subs 3,501-4,000	Subs 4,001-4,500	Subs 4,501-5,000	Subs 5,001-5,500
REVENUE														
Automobile sales	\$ -	\$ 224,267	\$ 6,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Extended vehicle service contract revenue	-	35,079	352	-	-	-	-	-	-	-	-	-	-	-
Lease revenue	-	15,845	352	-	-	-	-	-	-	-	-	-	-	-
Franchise fee and royalty income	-	286	10	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	275,250	6,340	-	-	-	-	-	-	-	-	-	-	-
EXPENSES														
Cost of revenue, including provision for credit losses on contracts receivable	-	242,265	6,305	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	47,315	658	-	-	-	-	-	-	-	-	-	-	-
Automobile sales and service supporting expenses	-	(3,407)	285	-	-	-	-	-	-	-	-	-	-	-
General and administrative expenses	(2)	2,469	246	-	-	-	-	-	-	-	-	-	-	-
Corporate and professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs and Expenses	(2)	248,644	7,149	-	-	-	-	-	-	-	-	-	-	-
INCOME (LOSS) BEFORE INCOME TAXES	(2)	126,606	(809)	-	-	-	-	-	-	-	-	-	-	-
Income tax expense (benefit)	5,115	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS)	3	121,491	(809)	-	-	-	-	-	-	-	-	-	-	-



Byrider Holding Corp. and Subsidiaries

Financial Report
December 31, 2021

Contents

Independent Auditor's Report	1 – 2
Consolidated Financial Statements	
Consolidated Balance Sheets as of December 31, 2021 and 2020	3
Consolidated Statements of Operations for the years ended December 31, 2021 and 2020	4
Consolidated Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2021 and 2020	5
Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020	6 – 7
Notes to Consolidated Financial Statements	8 – 39
Consolidating Supplementary Information	
Consolidating Schedule - Balance Sheet Information as of December 31, 2021	40
Consolidating Schedule - Statement of Operations Information for the year ended December 31, 2021	41



RSM US LLP

Independent Auditor's Report

Audit Committee
Byrider Holding Corp.

Opinion

We have audited the consolidated financial statements of Byrider Holding Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency and has significant debt obligations due within one year. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 16. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Las Vegas, Nevada
July 6, 2022

Byrider Holding Corp. and Subsidiaries

Consolidated Balance Sheets (In thousands, except for share amounts) December 31, 2021 and 2020

	2021	2020
Assets		
Contracts receivable	\$ 111,228	\$ 177,330
Securitization contracts receivable of consolidated variable interest entities (VIE)	388,977	252,198
Allowance for credit losses	(53,573)	(47,515)
Contracts receivable, net	446,632	382,013
Cash	5,254	2,961
Restricted cash and cash equivalents held in trust of consolidated VIEs	26,539	20,014
Accounts receivable	8,655	10,092
Inventories	22,817	17,531
Property and equipment, net	9,677	8,625
Intangibles, net	2,708	3,466
Goodwill	4,742	4,742
Deferred tax asset	161	150
Other assets	6,497	2,136
Repossessioned assets	796	508
Total assets	\$ 534,478	\$ 452,238
Liabilities		
Revolving lines of credit, net (VIE balance of \$0 in 2021 and \$33,967 in 2020)	\$ 64,325	\$ 123,963
Mortgage notes payable	631	6,072
Secured notes payable of consolidated VIEs, net	327,161	194,720
Subordinated notes payable	103,599	91,969
Trade accounts payable	6,391	6,510
Accrued expenses	24,577	24,177
Lease disadvantage	44	156
Deferred revenue	71,474	60,577
Deferred tax liability	441	2,880
Total liabilities	598,643	511,024
Stockholders' Equity (Deficit)		
Class A preferred stock, \$.001 par value	-	-
Class A common stock, \$.001 par value	-	-
Class B common stock, \$.001 par value	-	-
Class C common stock, \$.001 par value	-	-
Treasury stock	(468)	(468)
Additional paid-in capital	86,820	86,820
Accumulated deficit	(150,517)	(145,138)
Total Stockholders' Equity (Deficit)	(64,165)	(58,786)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 534,478	\$ 452,238

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Operations (In thousands)
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Automobile sales	\$ 231,684	\$ 157,294
Extended vehicle service contract revenue	26,713	19,242
Interest income	90,502	82,358
Franchise revenue	22,543	20,545
Other Income	5,282	-
Total revenues	376,724	279,439
Expenses:		
Cost of revenue	198,955	139,051
Provision for credit losses	51,570	45,065
Interest expense	35,463	33,879
Automobile sales and finance operating expenses	76,277	69,474
General and administrative expenses	20,260	18,228
Total expenses	382,525	305,697
Net loss before income taxes	(5,801)	(26,258)
Income tax (benefit) expense	(2,047)	2,706
Net loss	\$ (3,754)	\$ (28,964)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands, except for share amounts)
Years Ended December 31, 2021 and 2020

	Class A Preferred Stock		Class A Voting Common Stock		Class B Voting Common Stock		Class C Voting Common Stock		Class C Common Stock in Treasury		Additional Paid in Capital		Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)	
Balance at December 31, 2019	25,000	\$ -	7,659	\$ -	66,630	\$ -	33,253	\$ -	2,047	\$ (153)	\$ 86,820	\$ (114,549)	\$ (27,882)	
Net Loss	-	-	-	-	-	-	-	-	-	-	-	(28,964)	(28,964)	
Issuance of Common C	-	-	-	-	-	-	5,300	-	-	-	-	-	-	
Repurchase of Common C	-	-	-	-	-	-	-	-	2,500	(315)	-	-	(315)	
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,625)	(1,625)	
Balance at December 31, 2020	25,000	\$ -	7,659	\$ -	66,630	\$ -	38,553	\$ -	4,547	\$ (468)	\$ 86,820	\$ (145,138)	\$ (58,786)	
Net Loss	-	-	-	-	-	-	-	-	-	-	-	(3,754)	(3,754)	
Cancellation of Common C	-	-	-	-	-	-	(1,160)	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,625)	(1,625)	
Balance at December 31, 2021	25,000	\$ -	7,659	\$ -	66,630	\$ -	37,393	\$ -	4,547	\$ (468)	\$ 86,820	\$ (150,517)	\$ (64,165)	

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands)
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities	\$ (3,754)	\$ (28,964)
Net loss		
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	51,570	45,065
Deferred income taxes	(2,450)	2,434
Depreciation and amortization	6,302	6,816
Paid-in-kind interest	8,658	6,628
(Gain)/Loss on disposal of property and equipment	5	(15)
Amortization of gain on sale leaseback	(404)	(404)
Forgiveness of debt	(5,282)	-
Installment contracts originated	(282,458)	(188,337)
Installment contracts repaid	176,796	146,751
(Increase) decrease in certain assets:		
Accounts receivable	1,437	(71)
Inventories	(5,286)	6,696
Other assets	(4,650)	929
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(1,344)	(1,980)
Deferred revenue	11,301	4,516
Net cash (used in) provided by operating activities	(49,559)	64
Cash Flows From Investing Activities	(16,082)	(12,907)
Installment contracts purchased from third parties	5,555	2,112
Repayments on installment contract purchased from third parties	(2,810)	(2,487)
Cash purchases of property and equipment	-	-
Proceeds from sale of property and equipment	(13,337)	(13,282)
Net cash used in investing activities		
Cash Flows From Financing Activities	(60,394)	27,657
Net (repayments) borrowings on revolving lines of credit	(161)	(212)
Principal payments on notes payable	-	5,282
Proceeds from notes payable	1,600	10,600
Proceeds from subordinated notes	-	(9,324)
Payments on subordinated notes	294,998	118,423
Proceeds from secured notes payable	(161,663)	(135,435)
Payments on secured notes payable	(2,666)	(3,047)
Debt issuance costs	-	(315)
Purchase of Class C common stock for treasury	71,714	13,629
Net cash provided by financing activities		
Net increase (decrease) in cash	8,818	411
Cash at beginning of year	22,975	22,564
Cash at end of year	\$ 31,793	\$ 22,975

(Continued)

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands) (Continued)
Years Ended December 31, 2021 and 2020

	2021	2020
Supplemental disclosures		
Cash paid during the year for interest	\$ 22,785	\$ 22,949
Cash paid during the year for taxes	\$ 324	\$ 291
Capital leases added during the year	\$ -	\$ 439
Dividends declared, not paid during the year	\$ 1,625	\$ 1,625
Forgiveness of debt		

	2021	2020
Supplemental schedule of noncash investing and financing activities		
Forgiveness of debt	\$ (5,282)	\$ -
	\$ (5,282)	\$ -

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Operations: The accompanying financial statements include the consolidated financial statements for Byrider Holding Corp. ("Holding") and its subsidiaries, which are described below, as of and for the years ended December 31, 2021 and 2020 (hereinafter collectively referred to the "Consolidated Financial Statements"). Holding was formed to acquire the business on May 3, 2011. J.D. Byrider Systems, LLC, ("Systems"), through certain wholly owned subsidiaries, and Byrider Sales of Indiana S, LLC ("Sales") are engaged in the business of selling used automobiles to the sub-prime consumer market and warehousing and servicing retail installment contracts made in connection with such sales. Systems, through a wholly owned subsidiary, franchises its operational techniques, computer systems, trademarks, marketing, and general operations to franchisees. On December 31, 2021 and 2020, the Company had 115 and 112 operational franchises, respectively, and 32 and 31 Company-owned locations, respectively, in 29 states across the United States.

On December 31, 2021, Sales operated six automobile sales lots in Indiana, fifteen in Ohio, five in Pennsylvania, two in Kentucky, two in Tennessee and two in Illinois. Centralized finance centers, operated by Finance, support all stores. Most of the consolidated assets are managed by Byrider Finance, LLC ("Finance"), consisting primarily of retail installment contracts receivable. Byrider Properties, LLC ("Properties") leases land and buildings to Sales. Byrider Capital, LLC ("Capital") was incorporated to administer a finance receivable sale program for the Company and its franchisees and operates the sale of used automobiles in a single Tennessee sales lot. Byrider SPV, LLC ("SPV") was incorporated as a special purpose corporation to facilitate the sale of contracts receivable and is inactive. The J.D. Byrider Advertising Group ("Ad Group") was incorporated exclusively for the purpose of designing, developing, producing, and implementing advertising and promotional materials and campaigns for the sole benefit and success of Byrider Franchising, LLC ("Franchising"). Byrider Funding, LLC ("Funding") was formed in 2012 as a Delaware entity and is a wholly owned special purpose subsidiary of Finance. On May 16, 2014 CNART Warehouse Funding I, LLC ("DB Warehouse") was formed as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On August 6, 2018, CarNow Auto Receivables Trust 2018-1 ("CNART 2018-1") was formed as a Delaware entity. On June 4, 2019, CarNow Auto Receivables Trust 2019-1 ("CNART 2019-1") was formed as a Delaware entity. On January 27, 2020, CarNow Auto Receivables Trust 2020-1 ("CNART 2020-1") was formed as a Delaware entity. On February 17, 2021, CarNow Auto Receivables Trust 2021-1 ("CNART 2021-1") was formed as a Delaware entity. On July 30, 2021, CarNow Auto Receivables Trust 2021-2 ("CNART 2021-2") was formed as a Delaware entity. These five entities are "bankruptcy remote subsidiaries" and were formed in conjunction with the securitization financing transactions completed between 2018 and 2021.

On July 16, 2014, Byrider Indiana Reinsurance Company, Ltd. ("CPI") was formed as a reinsurance company organized in the Turks and Caicos Islands. It is a wholly owned subsidiary of Byrider Holding Corp. The company has elected a provision under Internal Revenue Code (IRC) Section 953(d) that permits non-U.S. domiciled insurance companies to be treated for United States tax purposes as United States corporations.

Principles of Consolidation: The consolidated financial statements include the consolidated financial statements of Byrider Systems Acquisition Corp. ("Systems Acquisition") and its wholly owned subsidiaries: J.D. Byrider Systems, LLC, Byrider Franchising, LLC, Byrider Finance, LLC, Byrider Funding, LLC, CNART 2018-1, CNART 2019-1, CNART 2020-1, CNART 2021-1, CNART 2021-2, CNART Warehouse Funding I, LLC, Byrider Properties, LLC, J.D. Byrider Advertising Group, Inc. and the consolidated financial statements of Byrider Sales Acquisition Corp. ("Sales Acquisition") and its wholly-owned subsidiaries: Byrider Sales of Indiana S, LLC, Byrider Capital, LLC, and Byrider SPV, LLC, and Byrider Indiana Reinsurance Company, Ltd. All intercompany accounts and transactions have been eliminated in consolidation.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Estimates: The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities. Certain accounting estimates involve significant judgments, assumptions, and estimates by management that have a material impact on the carrying value of certain assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenses during the reporting period which management considers to be critical accounting estimates. The judgments, assumptions and estimates used by management are based on historical experience, management's experience, and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and assumptions made by management, actual results could differ materially from these judgments and estimates, which could have a material impact on the carrying values of the Company's assets and liabilities and the Company's results of operations.

Significant items subject to estimates and assumptions include the allowance for credit losses, inventory valuation, fair value measurements, possible goodwill impairment calculations, reserves for sales returns and allowances, recovery receivables, and the valuation allowance for deferred tax assets. Estimates used in deriving these amounts are described in the notes herein. Actual results could differ from these estimates.

Revenue Recognition: The material revenue streams of the Company include automobile sales and finance interest income, extended service contract revenue and franchise fee and royalty income. The Company adopted ASC 606 for items within the scope of the standard. The description of the revenue categories are as follows:

- **Automobile Sales Revenue:** Revenue from automobile sales is recognized when a buyer either pays upfront for a vehicle or enters an installment sales contract and the vehicle is delivered to the buyer, thus fulfilling the single performance obligation of Sales.
- **Finance Revenue:** Interest income from installment sales contracts is recognized using the interest method. Interest income is suspended when a contract is greater than sixty days contractually delinquent or written off.
- **Extended Service Contract Revenue:** Revenue from the sale of extended service contracts ("ESC") is deferred at the time of sale and recognized evenly over the stated life of the contract. This aligns with the satisfaction of the Company's related performance obligation throughout the duration of the contract. If a contract is cancelled, any existing deferred revenue due to the customer is refunded or applied to the balance of the contract receivable.
- **Franchise Revenue:** Franchise revenue includes franchise fees. Franchise fees consist of an initial franchise fee due upon the awarding of the franchise to the franchisee and a continuing monthly franchise service fee which is considered royalty revenue and is based upon either a percentage of sales and/or a percentage of cash receipts of the franchisee or a flat monthly fee. The initial franchise fee revenue is recognized at the earlier of when all material conditions relating to the franchise sale have been substantially satisfied or the end of the franchise agreement term. Until these conditions and performance obligations have been substantially satisfied using the output method, the initial fee is recorded as deferred revenue. Royalty revenue is recorded at the end of the period in which the franchisee records the cash receipt or the sale, as applicable, which is aligned with the completion of the related franchisor performance obligation.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

As previously discussed, revenue from extended service contracts, initial franchise fees and interest income are recognized over time, whereas automobile revenue and royalty revenue are recognized at a point in time. Total revenue recognized at a point in time and over time was as follows for the years ending December 31, 2021 and 2020:

	2021	2020
Revenue recognized at a point in time	\$ 259,284	\$ 177,666
Revenue recognized over time	117,440	101,773
Total revenue	<u>\$ 376,724</u>	<u>\$ 279,439</u>

Cash: The Company periodically maintains cash balances in bank accounts which may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Contracts Receivable: Retail installment contracts receivable, originating through the sales of automobiles, represent the unremitted purchase price of automobiles sold to consumers using installment sales contracts. The Company performs credit evaluations of its customers' financial condition and retains possession of automobile titles collateralizing the contracts receivable.

Trade and Other Receivables: Trade and other receivables represent primarily franchise royalties and other amounts due from franchisees.

Allowance for Credit Losses: The allowance for credit losses is established by charging a provision for credit losses against earnings and is maintained at an amount considered by management adequate to absorb estimated credit losses inherent in the contracts receivable portfolio. The contracts receivable are collectively evaluated for impairment. Management's estimate of inherent credit losses is based on historical loss experience, current economic conditions, operating policies and practices, and other appropriate considerations. Credit losses on receivables are charged to the allowance. Automobiles are generally repossessed prior to the contract becoming 90 days contractually delinquent. After repossession, the automobile is sold and any remaining contracts receivable balance more than the proceeds from the sale of the vehicle, net of costs incurred to dispose of the automobile, is charged off.

Sales Returns: The Company accrues for sales returns on installment contracts in which the customer defaults on the first payment or returns the vehicle. The Company records an accrued liability and reduces sales and cost of revenue for these first payment defaults.

Concentration of Credit Risks: The Company's customers predominantly reside in Ohio, Indiana, Pennsylvania, Kentucky, Tennessee, and Illinois, which represents a concentration of credit risk associated with the economy in these geographic areas. The Company is exposed to a concentration of credit risk inherent in providing alternative financing programs to customers who cannot obtain traditional bank financing.

Delinquency: The Company determines the past due status using contractual terms of the contracts. Delinquency is the primary credit quality indicator.

Inventories: Inventories of vehicles are valued using the lower of cost or net realizable value. Certain vehicle reconditioning costs, which enhance the wholesale value of the vehicle, are capitalized.

Property and Equipment: Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

assets. Furniture and equipment and automobiles have estimated useful lives ranging from 3 to 5 years. Buildings and improvements have an estimated useful life of 30 years. Land has an indefinite life and is not depreciated. Leasehold improvements are amortized by the straight-line method over the shorter of the remaining initial terms of the respective leases or economic useful life.

Goodwill: Goodwill is not amortized, but it is reviewed annually for impairment if impairment indicators arise. A quantitative impairment test is required comparing the fair value of the reporting unit with its carrying amount. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. Alternatively, an entity may make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before completing the quantitative goodwill impairment test. If it is not more likely that the fair value of a reporting unit is less than its carrying amount, the quantitative goodwill impairment test is not required to be performed. The Company performed its annual review for impairment as of December 31, 2021 and 2020. No impairment existed on December 31, 2021 or 2020.

Intangible Assets: Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated lives of the Company's intangible assets range from 5 to 20 years.

Impairment of Long-Lived Assets: Impairment of long-lived assets is recorded when long-lived assets used in operations or expected to be disposed of indicate impairment may exist and the cash flows expected to be derived from those assets are less than the carrying amounts of those assets. The Company has not identified any circumstances requiring evaluation and has not recorded any impairment charge for the periods ended December 31, 2021, and 2020.

Extended Service Contract: The Company offers an optional refundable extended service contract as an ancillary product available to each vehicle sold. The Company began the offering of optional refundable extended service contracts in different markets since March 2017 through July 2018. As of December 31, 2021, the product offered for sale was for a period of the lesser of 48 months or 60,000 miles.

Income Taxes: Prior to 2021, the entities filed federal and certain state income tax returns on a separate standalone basis and, as such, Holding, Sales Acquisition, Systems Acquisitions, Ad Group, and CPI each filed separate federal and (to the extent allowed) separate state income tax returns. The Company intends to elect to file the 2021 and future federal income tax return on a consolidated basis. This election will not impact state income tax filings. There are some states that require Holding, Sales Acquisitions and Systems Acquisitions to file on a combined or consolidated basis. That applies for all years including years when the entities filed separate federal returns.

Sales routinely sells its retail installment contracts to Finance at fair market value. On a separate income tax return filing, Sales can take a tax deduction at the time of sale for the difference between the fair value of the receivables sold and the retail installment contract balance. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation. For 2020 and earlier, a deferred tax liability was recorded for this timing difference. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments. For 2021, with the election to file consolidated income tax returns, the sales between Sales and Finance are eliminated for federal income tax purposes.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Interest and penalties on income taxes will be charged to income tax expense.

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon generation of future taxable income prior to the period in which temporary differences reverse or expire. Management considers projected future taxable income and tax planning strategies in making this assessment.

Interest Rate Cap: The Company's interest rate cap has not been designated as a hedge instrument; therefore assets are recognized on the balance sheet at their estimated fair value and changes in fair value are recorded in current period earnings on the statement of operations as a component of interest expense. The fair value of the interest rate cap is included in other assets on the balance sheet.

Reposessed Assets: In the normal course of business, the Company repossesses vehicles for which installment payments are past due. Repossessed collateral is valued at the vehicles' estimated net realizable value. Management estimates net realizable value at the projected cash value upon liquidation, less cost to sell the related collateral. In accordance with certain regulations, the Company must hold a reposessed vehicle for a certain period and give the borrower an opportunity to reclaim the vehicle.

Fair Value: The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 established a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 provides a framework for measuring fair value under generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active 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.

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.

Fair value on a recurring basis: The table below represents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2021 and 2020.

	Interest Rate Cap			
	Total	Level 1	Level 2	Level 3
2021	\$ 143	\$ 143	\$ -	\$ -
2020	\$ -	\$ -	\$ -	\$ -

Derivatives - The carrying amount is adjusted to market value and is a reasonable estimate of fair value.

Fair value on a nonrecurring basis: The Company has finance receivables that are transferred to repossessed assets and are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table presents the repossessed assets carried on the balance sheets by level within the fair value hierarchy (as described above) as of December 31, 2021 and 2020 for which a nonrecurring change in fair value has been recorded during these years.

	Repossessed Assets			
	Total	Level 1	Level 2	Level 3
2021	\$ 796	\$ -	\$ -	\$ 796
2020	\$ 508	\$ -	\$ -	\$ 508

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

The fair value of repossessed assets was determined based on comparable recent sales. If the fair value is based upon unobservable inputs, the resulting fair value measurement is categorized as a Level 3 measurement.

Accounting for Transfers of Financial Assets (Securitizations): Finance periodically sells retail installment contracts to the Company's bankruptcy- remote securitization subsidiaries, which, in turn, transfer the retail installment contracts to separate trusts that issue notes and certificates collateralized by these retail installment contracts. The notes (asset-backed securities) are sold to investors, and the Company retains the residual certificates. The Company continues to service all securitized retail installment contracts. The Company has determined that the trusts are variable interest entities, and that Finance is the primary beneficiary of those trusts; therefore, contracts included in the securitization transactions are recorded as contracts receivable and the asset-backed securities that are issued by the trusts are recorded as secured notes payable in the accompanying consolidated balance sheets. The bankruptcy remote securitization subsidiaries are owned and controlled by third-party trustee arrangements with Finance.

Additional credit enhancement is achieved via over collateralization, and a cash reserve account is established for the benefit of the asset-backed security note holders. The reserve accounts are classified as restricted cash and cash equivalents held in trust in the consolidated balance sheets.

Variable interest entities: The Company transfers pools of loans to wholly owned, bankruptcy-remote, special purpose entities (each, an "SPE") to secure debt for general funding purposes. These entities have the limited purpose of acquiring finance receivables and holding and making payments on the related debts. Assets transferred to each SPE are legally isolated from the Company and its affiliates, as well as the claims of the Company's and its affiliates' creditors. Further, the assets of each SPE are owned by such SPE and are not available to satisfy the debts or other obligations of the Company or any of its affiliates. The Company continues to service the finance receivables transferred to the SPEs. The lenders and investors in the debt issued by the SPEs generally only have recourse to the assets of the SPEs and do not have recourse to the general credit of the Company.

The SPEs' debt arrangements are structured to provide credit enhancements to the lenders and investors, which may include overcollateralization, subordination of interests, excess spread, and reserve funds. These enhancements, along with the isolated finance receivables pools, increase the creditworthiness of the SPEs above that of the Company as a whole. This increases the marketability of the Company's collateral for borrowing purposes, leading to more favorable borrowing terms, improved interest rate risk management, and additional flexibility to grow the business.

The SPEs are considered VIEs under GAAP and are consolidated into the financial statements of their primary beneficiary. The Company is considered to be the primary beneficiary of the SPEs because it has (i) power over the significant activities through its role as servicer of the finance receivables under each debt arrangement and (ii) the obligation to absorb losses or the right to receive returns that could be significant through the Company's interest in the monthly residual cash flows of the SPEs.

Consolidation of VIEs results in these transactions being accounted for as secured borrowings; therefore, the pooled receivables and the related debts remain on the consolidated balance sheet of the Company. Each debt is secured solely by the assets of the VIEs and not by any other assets of the Company. The assets of the VIEs are the only source of funds for repayment on each debt, and restricted cash held by the VIEs can only be used to support payments on the debt. The Company recognizes revenue and provision for credit losses on the finance receivables of the VIEs and interest expense on the related secured debt.

Advertising and Promotion Costs: Advertising and promotion costs are charged to operations as they are incurred. Such costs totaled approximately \$7,316 and \$5,503 for the years ended December 31, 2021 and 2020, respectively.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands except share and per share amounts)

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Sales Taxes: Sales taxes collected from customers and remitted to state governmental agencies are reported on a net basis and, accordingly, are not reflected in revenue or costs and expenses.

Stock Based Compensation: For the issuance of stock options, the Company recognizes the grant date fair value of stock options issued to employees.

Reinsurance Balances and Transactions: Reinsurance premiums are accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies.

Reserves for Insurance Claims: The Company has established insurance policy liability and claim reserves. The claim reserves are based on claims reported, in addition to loss estimates, based on historic and expected trends for incurred and unreported claims.

Liabilities for Unpaid Claims: The basis for estimating the liabilities for unpaid claims and claim adjustment expenses are life mortality, unearned premium reserves and specific claim reserves.

Government Regulation: The Company is subject to various state and federal laws and regulations, which, among other things, impose limits on interest rates, other charges, and require licensing and qualifications.

Accounting Pronouncements Issued Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the right to use a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02, as modified by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021. The Company adopted of ASU 2016-02 as of January 1, 2022 using the modified retrospective approach to implementation and which will cause a material impact to the assets and liabilities but not to the income statement.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2019-10 has changed the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. The Company is currently evaluating the effect the adoption of ASU 2016-13 may have on the consolidated financial statements and disclosures.

Recent events: On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, which continues to cause disruption throughout the United States and around the World. The COVID-19 pandemic has adversely affected, and continues to adversely affect, economic activity globally, nationally, and locally. Actions taken to help mitigate the spread of COVID-19 include restrictions on travel, lockdowns, and stay-at-home orders, and forced closures for certain types of public places, businesses and schools. While the economic fallout has stabilized somewhat, COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economy, including in the geographical areas in which the Company operates.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 2. Contracts Receivable

The retail installment contracts ("Contracts") made in connection with the sale of used automobiles are made between the Company and consumers whose credit history may fail to meet the credit standards of most banks, credit unions and captive automobile finance companies. Substantially all of the retail installment contracts involve contracts made with consumers with limited or impaired credit histories. The Company believes that its consumer's credit profile is similar to that of its direct competitors in the sub-prime automobile consumer market. The Company believes its underwriting criteria, in conjunction with close senior management supervision, enhances its risk management and collection functions.

In deciding whether to enter into a retail installment contract, the Company considers various factors, including but not limited to the following:

- the applicant's length of residence;
- the applicant's current and prior job status;
- the applicant's history in managing other financial obligations;
- the applicant's current income and discretionary spending ability;
- the applicant's ability to provide a sufficient down payment; and
- the verification of the information provided on the application.

The consumers under the contracts typically make down payments in the form of cash, trade-in or deferred down payments generally ranging from 5% to 15% of the sale price of the automobile included in the retail installment contract. Deferred down payments must be completed prior to the first principal and interest payment date of the retail installment contract. The retail installment contracts are generally over a period of approximately 55 months.

A summary of the Company's contracts receivable on December 31, 2021 and 2020 is as follows:

	2021	2020
Contracts receivable	\$ 500,205	\$ 429,528
Less: Allowance for credit losses	(53,573)	(47,515)
Contracts receivable, net	<u>\$ 446,632</u>	<u>\$ 382,013</u>

A certain amount of the above contracts receivable (those owned by the Company's consolidated variable interest entities) are pledged as collateral for the variable interest entities' securitized debt. The balances of the contracts receivable at December 31, 2021 and 2020 were comprised of the following:

	2021	2020
Contracts receivable	\$ 111,228	\$ 177,330
Securitization contracts receivable of consolidated VIEs	388,977	252,198
Contracts receivable	<u>\$ 500,205</u>	<u>\$ 429,528</u>

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)**Note 2. Contracts Receivable (Continued)**

Changes in the allowance for credit losses on contracts receivable for the years ended December 31, 2021 and 2020 are as follows:

Allowance as of December 31, 2019	\$ 48,875
Add: Provision for estimated credit losses	45,065
Less: Charge offs - net of recoveries	(46,425)
Allowance as of December 31, 2020	47,515
Add: Provision for estimated credit losses	51,570
Less: Charge offs - net of recoveries	(45,512)
Allowance as of December 31, 2021	<u>\$ 53,573</u>

The Company places contracts on a non-accrual status when they reach greater than 60 days past due. On December 31, 2021 and 2020, the Company had \$9,318 and \$7,616, respectively, of contracts on non-accrual status. Although the probability that these contracts are uncollectible has not reached the level to charge-off the contracts, management believes it is prudent to discontinue accruing interest income on these contracts. The following table is an assessment of the credit quality of the contractual balance of the contracts.

Delinquency experience of the contractual amount of the contracts on December 31, 2021 and 2020:

	2021	2020
Current	\$ 381,188	\$ 338,511
1 - 30 days	89,152	65,197
31 - 60 days	20,547	18,204
61 - 90 days	5,203	5,818
90+ days	4,115	1,798
Total contractual amount	<u>\$ 500,205</u>	<u>\$ 429,528</u>

Note 3. Restricted Cash and Cash Equivalents Held in Trust

The Company maintains various cash accounts, which are pledged as collateral under its debt agreements. The Company is permitted to invest funds in these accounts in short-term, high quality liquid investments which are considered cash and cash equivalents. Restricted cash and cash equivalents held in trust on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Restricted cash	\$ 16,184	\$ 11,921
Cash equivalents held in trust	10,355	8,093
	<u>\$ 26,539</u>	<u>\$ 20,014</u>

Restricted cash consists of cash collections related to loans held in the securitization trusts and the CNART Warehouse Funding I, LLC warehouse facility that have been collected from customers, but have not yet been submitted to the lenders, as appropriate. Cash equivalents held in trust consist of a cash reserve account the Company maintains on behalf of asset-backed security investors in the Company's securitizations and on behalf of Deutsche Bank for the CNART Warehouse Funding I, LLC. At the time loans were transferred to the trust, a portion of the proceeds from sales of notes was deposited into a reserve account that is pledged to the trusts. The Company may be required to make additional deposits to the reserve account from collections on the loans to fund the reserve account to the required target percentage.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands except share and per share amounts)

Note 4. Inventories

Inventories on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Used automobiles	\$ 22,299	\$ 17,107
Other	518	424
Total inventories	<u>\$ 22,817</u>	<u>\$ 17,531</u>

Note 5. Property and Equipment

Property and equipment on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Land and improvements	\$ 801	\$ 814
Buildings and improvements	443	443
Furniture and equipment	10,149	9,349
Leasehold improvements	5,465	4,899
Software	1,436	-
Capital leases	633	633
	<u>18,927</u>	<u>16,138</u>
Less: Accumulated depreciation	<u>(9,250)</u>	<u>(7,513)</u>
Total Property and equipment	<u>\$ 9,677</u>	<u>\$ 8,625</u>

During the years ended December 31, 2021 and 2020, property and equipment under capital leases was \$633 and \$633, respectively.

During the years ended December 31, 2021 and 2020, depreciation expense was \$1,741 and \$1,559, respectively.

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)**Note 6. Goodwill and Intangibles Assets and Liabilities**

The Company's Goodwill is held under a single reporting unit. The carrying amount of goodwill was \$4,742 on December 31, 2021 and 2020.

During the years ended December 31, 2021 and 2020, the Company recorded amortization of intangible assets and liabilities of \$646 and \$627, respectively. Intangibles, net on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Franchise agreements	\$ 10,000	\$ 10,000
Less: Accumulated amortization	(7,619)	(6,905)
	<u>2,381</u>	<u>3,095</u>
Tradename	700	700
Less: Accumulated amortization	(373)	(338)
	<u>327</u>	<u>362</u>
Lease Advantage	657	657
Less: Accumulated amortization	(657)	(648)
	<u>-</u>	<u>9</u>
Total Intangibles, net	<u>\$ 2,708</u>	<u>\$ 3,466</u>

Future amortization of intangible assets is estimated as follows:

2022	749
2023	749
2024	749
2025	273
2026	35
Thereafter	153
Total	<u>\$ 2,708</u>

Liabilities related to unfavorable leases on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Unfavorable lease	\$ 3,260	\$ 3,260
Less: Accumulated amortization	(3,216)	(3,104)
Total unfavorable lease, net	<u>\$ 44</u>	<u>\$ 156</u>

Future amortization of unfavorable lease liabilities is estimated as follows:

2022	<u>\$ 44</u>
Total	<u>\$ 44</u>

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 7. Debt

Revolving Lines of Credit:

Borrowings under revolving lines of credit on December 31, 2021 and 2020 consisted of the following:

	2021	2020
Installment contracts receivable line of credit	\$ 64,737	\$ 80,452
Inventory line of credit	500	11,212
Warehouse facility	-	33,967
Total revolving lines of credit	65,237	125,631
Less: Unamortized debt issuance costs	(912)	(1,668)
Revolving lines of credit, net	<u>\$ 64,325</u>	<u>\$ 123,963</u>

Installment Contracts Receivable Line of Credit: In 2017, Finance replaced a \$50,000 revolving line of credit facility (Installment Contracts Receivable Line of Credit) with a \$50,000 facility comprised of a \$10,000 revolving line of credit and a \$40,000 term loan (collectively referred to as "Loan and Servicing Agreement" or "LSA"). There was a minimum balance requirement on the term loan of \$40,000 as of August 7, 2019, and going forward. In 2019, the Company modified the maximum facility amount to \$75,000 consisting of a \$25,000 revolver and a \$50,000 term and extended the maturity date to June 7, 2022. In 2020, the maximum facility amount was increased to \$100,000 consisting of a \$40,000 revolver and a \$60,000 term and the maturity date definition was changed to an updated maturity date of March 9, 2022. The term portion is due at maturity date.

The credit facility requires monthly interest payments. Outstanding borrowings are secured by substantially all the assets of the Company apart from certain assets defined in the debt agreement, such as contracts included in the securitization trusts, real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes, employee benefits and each deposit account related to the contracts included in the securitization trusts.

During 2020, there were various amendments completed to the LSA to address certain key items, as follows:

February 13	Amendment No. 6 – To modify language in relation to the vehicle title process and a temporarily increase the facility advance rate.
April 1	Amendment No. 7 – To document the subordination of four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling up to \$5,300.
April 30	Amendment No. 8 – To define COVID-19 deferred contracts and related borrowing eligibility within the facility, temporarily increase the facility advance rate, include a 1.00% minimum Base LIBOR for interest calculation purposes, and adjust the applicable margins on both the revolver and term loan.
July 7	Amendment No. 9 – To modify language permitting paydown of KKR's portion of subordinated debt, to include a minimum required reserve in the event of default, termination or other similar event related to CNART 2020-1 or in the event of a default under other agreements
July 21	Amendment No. 10 – To adjusted covenant levels for minimum tangible net worth, fixed charge coverage ratio, and leverage ratio, including changes to incorporate applicable SBA PPP Loan forgiveness impacts.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Debt (Continued)

November 9	Amendment No. 11 – To modify definition of COVID-19 deferred contracts and related borrowing eligibility within the facility and temporarily increase the facility advance rate.
December 3	Amendment No. 12 – To modify the maximum facility commitment amount to \$100,000 consisting of a \$40,000 revolver and a \$60,000 term, include language defining benchmark replacement for LIBOR, and adjusting language related to the new inventory line of credit agreement.
December 31	Amendment No. 13 – To document the conversion of the four FRB unsecured subordinated promissory notes totaling \$5,300 into a related party promissory note.

During 2021, the following amendments were completed to the LSA to address certain key items:

January 29	Amendment No. 14 – To modify certain language for definitions for subordinated debt related to a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the minimum liquidity covenant.
May 28	Amendment No. 15 – To document an increase to the facility advance rate, to modify certain language for definition around minimum liquidity, and to adjust eligibility levels for customer installment sale contracts and certain borrow base concentrations.
August 31	Amendment No. 16 – To modify the definition of leverage ratio and adjust related covenant levels.

The base minimum applicable margin interest rate was 5.50% for the revolver and 5.00% for the term loan on December 31, 2021 and 2020. The effective total interest rates for the periods ended December 31, 2021 and 2020 were 5.72% and 8.41%, respectively.

Inventory Line of Credit: Through December 2, 2020, Sales has an inventory floorplan with a finance company with maximum borrowings of up to \$15,000. Borrowings under this credit facility incurred interest at the rate published by the lender, available by request or on their secure website, minus 0.50%. The availability of borrowings was based on the purchase price of the inventory, not to exceed an inventory value based on an agreed-upon, industry used valuation metric. Outstanding borrowings were secured by the inventory units that comprise the floorplan balance. On December 3, 2020, the facility was paid off in full and closed.

On December 3, 2020, Sales entered a new \$17,500 committed inventory line of credit facility with a finance company. The facility commitment can be increased to \$20,000 subject to lender approval, which was increased on March 3, 2022. Borrowings under this facility incur interest at a base LIBOR rate plus an applicable base margin interest rate. The facility matures at the earliest of 90 days prior to the maturity date of any Subordinated Debt, the date on which the agreement has been terminated and all obligations under this facility have been repaid in full or December 3, 2023. The applicable base margin interest rate and effective total interest rate for the period ended December 31, 2020, were 5.50% and 7.63%, respectively. The applicable base margin interest rate and effective total interest rate for the period ended December 31, 2021, were 5.50% and 26.62%, respectively.

On December 31, 2020, Amendment No. 1 was completed to document the conversion of the four FRB unsecured subordinated promissory notes totaling \$5,300 into a related party promissory note.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 7. Debt (Continued)

During 2021, the following amendments were completed to the inventory line of credit agreement to address certain key items:

January 29	Amendment No. 2 – To modify certain language related to subordination of a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the minimum liquidity covenant for definitions of subordinated debt and minimum liquidity.
February 16	Amendment No. 3 – To modify certain language around eligibility criteria for in-transit inventory.
May 28	Amendment No. 4 – To modify certain language around eligibility criteria for in-transit inventory and reserve levels against the borrowing base, as well as modifying language around the minimum liquidity covenant.
August 31	Amendment No. 5 - To modify the definition of leverage ratio and adjust related covenant levels.

On December 31, 2021 and 2020, the outstanding balances for the facility were \$500 and \$11,212, respectively.

Warehouse Facility: Effective August 22, 2014, CNART Warehouse Funding I, LLC established a warehouse facility with Deutsche Bank ("DB") to hold installment contracts intended to be included in future asset-backed securitizations. Collateral consists of retail installment contracts transferred non-recourse from Finance to CNART Warehouse Funding I, LLC. As of December 31, 2021, borrowings are limited to the maximum of \$123,000 or the borrowing base calculated by applying an advance rate to the eligible installment contracts receivable balance as defined. Monthly interest payments are required with interest determined by a spread over 3-month LIBOR. In addition, a fee is paid monthly on the unused portion of the facility. This fee is equal to 40 basis points when the outstanding balance is greater than 50% of the commitment and during the 120-day period following a securitization, otherwise it is 60 basis points.

On April 1, 2020, the Company amended the warehouse facility agreement to incorporate language for an additional new lender group(s) to be included in a subordinated mezzanine capacity. No new lender group was added to the facility at this time. The agreement was also updated to lower the advance rate and extend the maturity date to April 01, 2021.

On July 21, 2020, the Company completed Amendment No. 1 to the amended warehouse facility agreement to adjusted covenant levels for minimum tangible net worth and leverage ratios, including changes to incorporate applicable SBA PPP Loan forgiveness impacts.

On December 3, 2020, the Company completed Amendment No. 2 to add KKR & Co., Inc. (KKR) at a subordinated mezzanine position resulting in an increase to the overall advance rate to the facility. The facility maturity date was also extended through June 3, 2022 and has a combined commitment level of \$123,000 comprised of two separate lender classes, Class A of \$100,000 (DB) and Class B of \$23,000 (KKR). The Company intends to renew this facility for a 12 month or greater duration prior to the maturity date with terms that are amicable to both parties. If the Company does not renew the credit facility prior to or as of the maturity date, the facility would convert to a term facility on June 4, 2022, and the borrowed balance would be reduced as payments are made to the trust account for the associated installment contracts.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Debt (Continued)

On December 31, 2020, the Company completed Amendment No. 3 to change language around the definition and dates for estimated SBA loan terms.

On April 28, 2021, the Company entered a 3-month LIBOR interest rate cap derivative with quarterly notional values of \$100,000 through April 30, 2023. This facility requires the Company to maintain an interest rate cap derivative if certain 3-month LIBOR criteria have been met, which have not been met as of December 31, 2021 and 2020, and therefore do not make the interest rate cap a requirement through this period. The interest rate cap had a fair value on a recurring basis which was \$143 on December 31, 2021.

On July 30, 2021, the Company completed Amendment No. 4 to change certain language around the definition of net spread.

As of December 31, 2021 and 2020, the outstanding amount payable on the amended warehouse facility was \$0 and \$33,967, respectively.

Subordinated Notes Payable:

Borrowings under subordinated notes payable on December 31, 2021 and 2020, consisted of the following:

	2021	2020
Term loan and security agreement	\$ 54,280	\$ 54,010
Unsecured subordinated promissory notes	1,600	-
Related party promissory notes	48,241	39,853
Total subordinated notes payable	104,121	93,863
Less: Discount on notes payable	(274)	(1,070)
Less: Unamortized debt issuance costs	(248)	(824)
Subordinated notes payable, net	\$ 103,599	\$ 91,969

On April 1, 2020, the Company entered into four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling \$2,650, and the notes share the same terms. The annual interest rate for the notes is equal to the greater of the Prime Rate and 3.00%. Interest for the notes is paid monthly. The maturity of the notes is April 1, 2023. On April 28, 2020, the Company completed a First Amendment to Promissory Note for each of the four FRB notes that were originally executed on April 1, 2020. The amendment for each note doubled the original note balance, which increased the collective total of the notes to \$5,300. The notes were repaid in full on December 30, 2020.

On January 29, 2021, the Company entered into four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling \$1,600, and the notes share the same terms. The annual interest rate for the notes is equal to the greater of the Prime Rate and 3.00%. Interest for the notes is paid monthly. At December 31, 2021 the balance of the notes was \$1,600. The maturity of the notes is January 29, 2024.

On February 25, 2021, FRB issued an irrevocable standby letter of credit to the Company in an amount not to exceed \$2,000. This letter of credit had an original expiration date of December 31, 2021, but it was voluntarily cancelled by the Company in June 2021.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Debt (Continued)

Term Loan and Security Agreement: Effective August 22, 2014, Finance entered into a Term Loan and Security Agreement ("TLSA") with various entities which are now controlled by KKR & Co., Inc. (KKR). The base note balance was \$52,500 as of December 31, 2021 and 2020. This note bears interest at LIBOR plus 10%, subject to a LIBOR floor of 1.25%. The note also includes a Payment In Kind (PIK) interest rate of 0.50% and the Company has the option to convert an additional 3% of current period interest to PIK. For the periods ended December 31, 2021 and 2020, the interest rate was 11.75% and 11.75%, respectively. Interest only payments are due quarterly with principal due on the July 7, 2022 maturity date. Outstanding borrowings are secured by certain assets of the Company excluding certain assets of Sales, Franchising and certain other assets defined in the debt agreement, such as real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes or employee benefits.

During 2020, there were various amendments completed to the TLSA to address certain key items, as follows:

April 1	Amendment No. 8 – To update for the subordination of four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling up to \$5,300.
July 21	Amendment No. 9 - To adjust covenant levels for fixed charge coverage ratio and leverage ratio, including changes to incorporate applicable SBA PPP Loan forgiveness impacts.
December 3	Amendment No. 10 – To adjust contract language for higher installment contract receivable LOC commitment of \$100,000 and the new \$17,500 inventory line of credit agreement.
December 31	Amendment No. 11 – To document the conversion of the four FRB unsecured subordinated promissory notes totaling \$5,300 into a related party promissory note.

During 2021, there were various amendments completed to the TLSA to address certain key items, as follows:

January 29	Amendment No. 12 - To update for the subordination of four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling up to \$1,600, a letter of credit of up to \$2,000 and another loan balance referenced with the document.
December 28	Amendment No. 13 - To adjust covenant levels for the leverage ratio for January 2022.

For the period ending December 31, 2021 and December 31, 2020, the total balance of the note was \$54,280 and \$54,010, respectively, which includes PIK interest elections.

The revolving lines of credit, the warehouse facility and the term loan contain, among other provisions, certain restrictive financial covenants including maintenance of a minimum fixed charge ratio, minimum liquidity level, maximum leverage ratio, minimum tangible net worth, minimum loss reserve amount, maximum delinquency requirement, maximum charge off percentage, and certain restrictions on distributions including certain dividend payments.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Debt (Continued)

Promissory Notes: On March 30, 2018, the Company entered into a collection of unsubordinated promissory notes with entities controlled by KKR in an aggregate amount of \$2,500. The notes had a scheduled maturity date of March 30, 2022, and a 20% interest rate, due semiannually. The Company could elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2020 and 2019 payment. In July 2020, the Company paid off the balance of the promissory notes in full. The balance of the notes, which includes PIK interest elections, was \$0 and \$0 as of December 31, 2021 and 2020, respectively.

The Company received a loan from Fifth Third Bank, N.A. in the amount of \$5,282 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 7, 2020, and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. On June 28, 2021, the Company was informed that the entire principal balance amount of \$5,282 and accrued interest of \$59 were forgiven. The Company accounted for this as forgiveness of debt and recognized it as other income on the consolidated statement of income.

Related Party Promissory Notes: On March 30, 2018, and December 30, 2020, the Company entered into unsecured promissory notes with its majority shareholder, Altamont, in the amount of \$20,423 and \$5,300, respectively. The notes mature on March 29, 2024 and bear a 20% interest rate compounded semiannually. The Company may elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2021 and 2020 payment. The combined balance of the notes, which includes PIK interest elections, was \$48,241 and \$34,553 as of December 31, 2021 and 2020, respectively.

Mortgages and Capital Leases: As of periods ending December 31, 2021 and December 31, 2020, the Company has various mortgage notes payable and capital leases totaling \$631 and \$789, respectively to different financial institutions with monthly installments of principal and interest at rates ranging from 5.25% to 6.50%. The notes have due dates ranging between the years of 2021 to 2027 and are secured by office buildings and land.

As of December 31, 2021, the aggregate principal payments required by the above long-term obligations and the three promissory notes were as follows:

Payable in:	Principal
2022	\$ 119,797
2023	66
2024	49,910
2025	73
2026	144
	<u>\$ 169,990</u>

On November 20, 2018, the Company entered into an asset-backed security transaction where \$121,171 was secured by \$156,860 of retail installment contracts and cash equivalents held in trust ("CNART 2018-1"). The following table is a summary of the securitization transaction as of December 31, 2021:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 7. Debt (Continued)

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2018-1	\$ -	\$ -	\$ -	\$ -

Class	Rating	Interest Rate	2021	2020
A	AA	3.61%	\$ -	\$ -
B	A	4.26%	-	1,774
C	BBB	5.21%	-	21,960
D	BB	6.49%	-	10,980
			<u>\$ -</u>	<u>\$ 34,714</u>

These asset-backed securities outstanding had interest payable monthly at fixed rates ranging from 4.26% to 6.49% on December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2018-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$0 and \$34,714 as of December 31, 2021 and 2020, respectively. On October 15, 2021, the Company exercised the option to purchase the remaining loans in the trust. At that time, the note balance was \$16,607 and the receivable balance was \$22,941.

On August 13, 2019, the Company entered into an asset-backed security transaction where \$134,603 was secured by \$152,648 of retail installment contracts and cash equivalents held in trust ("CNART 2019-1"). The following table is a summary of the securitization transaction as of December 31, 2021:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2019-1	\$ 134,610	\$ 36,637	\$ 44,211	\$ 2,433

Class	Rating	Interest Rate	2021
A	AA	2.72%	\$ -
B	A	2.71%	4,197
C	BBB	3.36%	22,300
D	BB	4.62%	10,140
			<u>\$ 36,637</u>

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 7. Debt (Continued)

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 2.72% to 4.62% on December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2019-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$44,211 as of December 31, 2021.

On July 7, 2020, the Company entered into an asset-backed security transaction where \$118,730 was secured by \$148,050 of retail installment contracts and cash equivalents held in trust ("CNART 2020-1"). The following table is a summary of the securitization transaction as of December 31, 2021:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2020-1	\$ 118,730	\$ 53,474	\$ 73,539	\$ 2,961

Class	Rating	Interest Rate	2021
A	AA	1.76%	\$ 1,654
B	A	2.71%	11,840
C	BBB	3.84%	20,730
D	BB	7.36%	12,950
E	B	8.71%	6,300
			<u>\$ 53,474</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 1.76% to 8.70% on December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2020-1 securitization was rated in tranches at its inception with credit ratings of AA to B by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$73,539 as of December 31, 2021.

On April 21, 2021, the Company entered into an asset-backed security transaction where \$126,210 was secured by \$142,155 of retail installment contracts and cash equivalents held in trust ("CNART 2021-1"). The following table is a summary of the securitization transaction as of December 31, 2021:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements
(In thousands except share and per share amounts)

Note 7. Debt (Continued)

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2021-1	\$ 126,210	\$ 80,476	\$ 96,600	\$ 2,132

Class	Rating	Interest Rate	2021
A	AA	0.97%	\$ 33,146
B	A	1.38%	10,660
C	BBB	2.16%	19,900
D	BB	3.64%	9,520
E	B	5.12%	7,250
			<u>\$ 80,476</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 0.97% to 5.12% on December 31, 2021. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities.

The CNART 2021-1 securitization was rated in tranches at its inception with credit ratings of AA to B by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 10% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$96,600 as of December 31, 2021.

On November 4, 2021, the Company entered into an asset-backed security transaction where \$168,810 was secured by \$188,615 of retail installment contracts and cash equivalents held in trust ("CNART 2021-2"). The following table is a summary of the securitization transaction as of December 31, 2021:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2021-2	\$ 168,810	\$ 159,308	\$ 177,014	\$ 2,829

Class	Rating	Interest Rate	2021
A	AAA	0.73%	\$ 55,948
B	AAA	1.30%	52,810
C	BBB	1.69%	12,830
D	BB	2.25%	24,890
E	B	4.45%	12,830
			<u>\$ 159,308</u>

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements**
(In thousands except share and per share amounts)**Note 7. Debt (Continued)**

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 0.73% to 4.45% on December 31, 2021. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance more than the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities.

The CNART 2021-1 securitization was rated in tranches at its inception with credit ratings of AAA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 10% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$177,014 as of December 31, 2021.

The debt maturities of securitized debt are determined based on the expected future cash flows of the assets included in the securitization. The secured notes payable of consolidated VIEs presented on the accompanying balance sheet related to these asset-backed securities transactions are presented net of their related net debt issuance costs of \$2,558 and \$1,664 on December 31, 2021 and December 31, 2020, respectively. The following table is a summary of secured notes payable of consolidated VIEs, net:

	2021	2020
CNART 2018-1	\$ -	\$ 34,714
CNART 2019-1	36,637	70,414
CNART 2020-1	53,474	91,511
CNART 2021-1	80,476	-
CNART 2021-2	159,308	-
Total Secured notes payable of consolidated VIEs	329,895	196,639
Less: Discount on securitized notes	(176)	(255)
Less: Unamortized debt issuance costs	(2,558)	(1,664)
Secured notes payable of consolidated VIEs, net	\$ 327,161	\$ 194,720

As of December 31, 2021, the aggregate principal payments required or estimated to be paid by the above long-term obligations including revolving lines of credit, term loan and security agreement, promissory notes, mortgages, and secured notes payable were as follows:

Payable in:	Principal
2022	\$ 270,214
2023	91,660
2024	99,646
2025	38,221
2026	144
	<u>\$ 499,885</u>

Note 8. Related Party Transactions

As part of the acquisition by Altamont, the Company agreed to pay Altamont a quarterly management fee plus out of pocket expenses. During the periods ended December 31, 2021 and 2020, the Company recorded management fee expense of \$997 and \$1,023, respectively. The Company also entered into a

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 8. Related Party Transactions (continued)

consulting agreement with an employee of Altamont. For each of the periods ended December 31, 2021 and 2020, the Company recorded an expense of \$111 and \$6, respectively related to this consulting agreement.

The Company utilizes Credit Max Collection Agency, Inc. ("Credit Max"), a related party with similar ownership to the Predecessor Company, to perform bad debt recovery. As part of the agreement, Credit Max retains 50% of recoveries as a fee. For the periods ended December 31, 2021 and 2020, the Company paid Credit Max \$2,527 and \$2,359, respectively, related to these agreements.

The Company has operating lease agreements with related parties for store locations and office space with lease terms expiring between 2022 and 2029. Rental expense for related party operating leases was \$1,146 and \$1,081 for the periods ended December 31, 2021 and 2020, respectively.

The future minimum rental payments for long-term related party lease obligations are summarized as follows:

Payable in:	Rental payments
2022	\$ 1,131
2023	924
2024	825
2025	667
2026	547
Thereafter	1,458
	<u>\$ 5,552</u>

Note 9. Commitments and Contingencies

The Company has long-term operating lease agreements for land, land improvements, office space, certain office equipment and automobiles with unrelated entities. The leases have varying terms expiring between 2022 and 2056. For the periods ended December 31, 2021 and 2020, rental expense for unrelated operating leases was \$5,557 and \$5,387, respectively.

Future minimum payments for long-term lease obligations, exclusive of the related party leases, are as follows:

Payable in:	Rental payments
2022	\$ 5,507
2023	4,551
2024	3,270
2025	2,565
2026	2,566
Thereafter	2,560
	<u>\$ 21,019</u>

In connection with the disposition of certain land and buildings in 2016, the Company entered into a long-term operating lease. The lease is classified as an operating lease and the gain realized on this transaction has been deferred and is being credited to income over the initial 10-year lease term. For the periods ended December 31, 2021 and 2020, the deferred gain totaled \$1,995 and \$2,399, respectively, and is reflected in the accompanying Consolidated Balance Sheet as Deferred revenue.

The Company is a party to other various lawsuits and claims arising in the normal course of business. While the ultimate resolution of lawsuits or claims against the Company cannot be predicted with certainty, management is vigorously defending all claims and does not expect that these matters will have

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 9. Commitments and Contingencies (continued)

a material adverse effect on the financial position or results of the operations of the Company.

The SBA has indicated that all forgiveness applications may be subject to audit during the required document retention period, which ends 6 years from the date of forgiveness. Should an audit occur, management believes the final disposition of such proceedings would not have a material impact on the Company's financial statements.

Note 10. Provision for Income Taxes

The Company's income tax provision is as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Current		
Federal	\$ -	\$ -
State	403	271
	<u>403</u>	<u>271</u>
Deferred		
Federal	(2,711)	2,026
State	261	409
	<u>(2,450)</u>	<u>2,435</u>
Total income tax (benefit) expense	<u>\$ (2,047)</u>	<u>\$ 2,706</u>

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 10. Provision for Income Taxes (continued)

The Company has deferred tax assets and (liabilities) related to temporary differences as follows at December 31, 2021 and 2020:

	2021	2020
Deferred tax assets:		
Transaction Costs	\$ 555	\$ 605
Identifiable intangible assets	2,564	2,694
Fixed assets	736	1,088
Deferred revenue	7,179	7,619
Other	168	278
Net operating loss carryforwards	27,492	31,191
Interest Rate Cap	44	3,666
Interest Expense	-	241
Valuation allowance	(34,405)	(34,269)
Deferred tax assets	4,333	13,113
Deferred tax liabilities:		
Contracts receivable	(3,316)	(14,986)
Inventory	(581)	(471)
Other	(131)	(267)
Goodwill	(585)	(119)
Deferred tax liabilities	(4,613)	(15,843)
Total deferred tax liability	\$ (280)	\$ (2,730)

As of December 31, 2021 and 2020, the Company maintained a valuation allowance of \$34,369 and \$34,269, respectively. As discussed in Note 1, the company intends to elect to file consolidated federal income tax returns beginning with the 2021 return. The 2021 valuation allowance is computed on a consolidated basis. It was recorded due to cumulative consolidated pre-tax losses for the prior three years and management has concluded there is not sufficient positive evidence to determine the tax assets will be utilized. Prior to 2021, federal income tax expense was computed separately for each company therefore the federal deferred tax assets, liabilities and valuation allowance were computed on a separate company basis. A 2020 valuation allowance was recorded for some entities. The 2021 tax expense includes a benefit for the decrease in the valuation allowance that relates to election to file a consolidated federal return.

The election to file consolidated federal returns allows the companies to share NOLs generated by Holding, Systems Acquisitions, Sales Acquisition, and CPI. At December 31, 2021, the consolidated federal net operating loss is \$109,000. Approximately \$93,000 of the federal net operating loss has an indefinite carryover period. The remaining federal NOLs begin to expire in 2037.

As discussed in Note 1, the Companies file certain state income tax returns on a separate company basis. For the years ended December 31, 2021 and 2020, Systems Acquisition had separate company state net operating loss carryforwards of approximately \$7,500 and \$17,900, respectively. State net operating loss carryforwards expire in varying amounts beginning in 2029. Systems Acquisition also

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 10. Provision for Income Taxes (continued)

has separate company city net operating loss carryforwards of approximately \$1,200 and \$1,500, respectively that begin to expire in 2022.

For the years ended December 31, 2021 and 2020, Sales Acquisition had separate company state net operating loss carryforwards of approximately \$58,400 and \$51,500, respectively. State net operating loss carryforwards begin to expire in 2030. Sales Acquisition has separate company city net operating loss carryforwards of \$13,500 and \$12,300, respectively that begin to expire in 2022.

For the years ended December 31, 2021 and 2020, Holding only files in consolidated or combined filing states and therefore has no separate company state net operating loss carryovers on a standalone basis.

As discussed in Note 1, the Companies file certain state income tax returns on a combined or consolidated basis. For the years ended December 31, 2021 and 2020, the Companies had consolidated and/or combined net operating carryforwards of \$8,770 and \$3,900, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2022.

The Company's effective tax rate differs from the expected 21% primarily attributable to the change in the valuation allowance on deferred tax assets, state and city tax expense and permanent items.

Certain provisions of the CARES Act impact the 2021 and 2020 income tax provision computations of the Company. The CARES Act contained modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increased the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income. Starting in 2021, the allowable business interest deduction will be limited to 30% of ATI. However, for 2021, on a consolidated basis, the Company has sufficient business interest and is not subject to the Section 163(j) limitation.

The Company elected to defer payment of the employer's portion of Social Security Taxes, another provision of the CARES Act. The balance of this deferral for Sales Acquisition is \$988 as of December 31, 2020 and was included in accounts payable and accrued expenses in the consolidated balance sheet. The amount was paid during 2021.

The Company is generally not subject to income tax examinations by federal tax authorities before 2018 and before 2017 for state taxing authorities. However, tax authorities can adjust net operating loss carryforwards generated before these dates.

Note 11. Extended Service Contracts

The extended service contract is an optional ancillary product for a customer to purchase aside a vehicle and replaced the imbedded warranty that had previously been included with the purchase of each vehicle. The extended service contract is a refundable, 48-month, 60,000-mile contract. By July 3, 2018, all markets had adopted the refundable extended service contract as an optional ancillary product with a vehicle sale. The Company defers the revenue from each sale at the time of the sale and recognizes the revenue ratably over the life of the contract. Costs to service these contracts are expensed when incurred. The Company believes the unearned deferred revenue is sufficient to cover future claims and refund obligations. Changes in the Company's extended service contract deferred revenue balance, which is included in deferred revenue, for the years ended December 31, 2021 and 2020 are as follows:

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 11. Extended Service Contracts (continued)

	2021	2020
Balance, beginning	\$ 57,336	\$ 52,786
Add: New contracts (net)	66,776	37,523
Less: Cancellations	(28,733)	(13,731)
Less: Recognized Revenue	(26,713)	(19,242)
Balance, ending	\$ 68,666	\$ 57,336

Note 12. Reinsurance Activity

The Company makes available an optional collateral protection insurance product to its customers in connection with its lending operations. The following is a summary of net premiums written and reinsured and total earned premiums for the years ended December 31:

	2021	2020
Net premiums written	\$ 4,849	\$ 4,614
Earned premiums	4,849	4,614

The Company is required to maintain actuarially determined cash reserves which totaled \$365 and \$243 on December 31, 2021 and 2020, respectively. The Company had a payable of \$456 and \$339 on December 31, 2021 and 2020, respectively, which consisted of premiums collected from its customers and due to a third-party insurance company.

Note 13. Reserve for Insurance Claims

Activity in the liability for unpaid claims and claim adjustment expenses is summarized as follows:

	2021	2020
Balance, beginning	\$ 346	\$ 436
Add: Provision for insurance claims	4,165	3,777
Less: Claims paid	(4,013)	(3,867)
Balance, ending	\$ 498	\$ 346

The above amounts are included in the accrued expenses of the balance sheet. The nature of the premiums are bi-weekly or monthly in nature of these premiums, the loss emergence period would fall within the policy period.

Note 14. Stockholders' Equity

On March 4, 2011, Byrider Holding Corp., a Delaware entity, was formed. On May 2, 2011, Holding's certificate of incorporation was amended and restated to reflect the final terms of the acquisition of the Company. The total number of shares of capital stock that Holding had authority to issue was 107,500 consisting of 25,000 shares of Class A Preferred Stock ("Class A Preferred Stock"), par value \$0.001, 75,000 shares of Class B Common Stock ("Class B Common Stock"), par value \$0.001, and 7,500 shares of Class C Common Stock ("Class C Common Stock"), par value \$0.001 (Class B Common Stock and Class C Common Stock collectively "Common Stock").

On March 29, 2018, the Company amended its certificate of incorporation to increase the total number of shares of capital stock authorized to issue to 160,000 shares, consisting of 25,000 Class A Preferred Stock, par value \$0.001 per share, 10,000 shares of Class A Common Stock, par value \$0.001 per share, 75,000 shares of Class B Common Stock, par value \$0.001 per share, and 50,000 shares of Class C Common Stock, par value \$0.001 per share.

On December 30, 2020, the Board of Directors of the Company approved the issuance of 5,300 of Class C Common Stock, par value \$0.001 per share.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 14. Stockholders' Equity (Continued)

Class A Preferred Stock has no voting rights (except as is required by law) and is to have quarterly dividends paid at a rate of 4.5% per annum for the period beginning on the date such share of Class A Preferred Stock is issued through the third anniversary of such date of issuance and 6.5% per annum thereafter. So long as any share of Class A Preferred Stock remains outstanding, the Company will not declare, pay or make any distribution relating to, or redeem, purchase, acquire or make a liquidation payment relating to Common Stock or any other class or series of securities of the Company now existing or hereafter authorized over which the Class A Preferred Stock has preference or priority in payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company except for repurchases from employees approved by the Board of Directors. The Company may, at its option, at any time and from time to time other than in connection with a change of control, redeem all or any portion of the outstanding shares of Class A Preferred Stock; provided that any such redemption shall be in an amount equal to not less than the lesser of (i) 25% of the aggregate Class A Preferred Stock base amount, which is \$1,000 per share, of those shares of Class A Preferred Stock issued in connection with the Altamont acquisition and (ii) all shares of Class A Preferred Stock. The Company may, at its option, redeem all (but not less than all) outstanding shares of Class A Preferred Stock in connection with a change of control as defined in the amended and restated certificate of incorporation of Holding.

Subject to the powers, preferences, rights and privileges of any class of stock having any preference or priority over, or rights superior to, the Common Stock, the holders of Common Stock have and possess all powers and voting and other rights pertaining to the capital stock of the Company. All holders of Common Stock shall vote together as a single class, with each share of Common Stock being entitled to one vote on all matters to be voted on by the stockholders.

All liquidating distributions shall be made to the holders of shares of capital stock outstanding on the date of such liquidating distribution in the following priority:

1. First, the holders of shares of Class A Common Stock shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to the applicable base amount plus an amount sufficient to generate an internal rate of return thereon equal to twenty percent per annum, compounded quarterly. If the remaining assets of the Company available for distribution are insufficient to pay the holders of shares of Class A Common Stock the full amounts to which they shall be entitled, the holders of such shares shall share ratably in such liquidating distribution in proportion to the respective amounts which otherwise would be payable in respect of the shares held by them in connection with such distribution if the full amount payable on or with respect to such shares were paid in accordance with this point 1.
2. Second, after the full required amount of liquidating distributions have been made pursuant to point 1, the holders of shares of Class A Preferred shall be entitled to receive all liquidating distributions until there has been paid with respect to each such share an aggregate amount equal to the accrued but unpaid dividends attributable to such shares of Class A Preferred Stock.
3. Third, after the full required amount of liquidating distributions have been made pursuant to points 1 and 2 above, (i) the holders of shares of Class A Preferred Stock shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to its base amount of \$1,000 per share and (ii) the holders of shares of Class B Common Stock, as a single and separate class, shall be entitled to receive liquidating distributions until there has been paid with respect to each such share an amount equal to the applicable Class B Common Stock base amount of \$1,000 per share plus an amount sufficient to generate an internal rate of return thereon equal to 10% per annum, compounded quarterly. Such internal rate of return shall be calculated in accordance with accepted financial practices, treating the Class B Common Stock base amount of \$1,000 per share as having been paid for such share on May 2, 2011 and each

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 14. Stockholders' Equity (Continued)

liquidating distribution with respect to the Class B Common Stock as having been made on the date it is actually paid by the Company. If the remaining assets of the Company available for distribution pursuant to this point 3 are insufficient to pay the holders of shares of Class A Preferred Stock and Class B Common Stock the full amounts to which they shall be entitled pursuant to this point 3, the holders of such shares shall share ratably in such liquidating distribution in proportion to the respective amounts which otherwise would be payable in respect of the shares held by them in connection with such distribution if the full amount payable on or with respect to such shares were paid in accordance with this point 3.

4. Fourth, after the full required amount of liquidating distributions have been made pursuant to 1 through 3 above, all holders of the shares of Common Stock, as a single class, shall thereafter be entitled to receive all remaining liquidating distributions pro rata based on the number of outstanding shares of Common Stock held by each holder.

All liquidating distributions described in points 1 through 4 above shall be made ratably among the holders of the class or classes of capital stock in question, based upon the number of shares held by such holders. For purposes of point 2, distributions paid to holders of Class A Common Stock and Class B Common Stock pursuant to point 3 will be treated as liquidating distributions previously paid to such holders pursuant to point 2 above.

The Company paid \$0 of dividends to the Class A Preferred Stock stockholders during either of the periods ended December 31, 2021 and 2020. For the periods ended December 31, 2021 and 2020, dividends payable was \$7,313 and \$5,668, respectively and are included in accrued expenses on the balance sheet.

2012 Equity Incentive Plan

On December 31, 2012, the Board of Directors of the Company approved the Byrider Holding Corp. 2012 Equity Incentive Plan ("2012 Equity Plan"). The 2012 Equity Plan allows the Company to issue up to 11,300 shares of stock to those key employees, directors, consultants and advisors to the Company who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The issuances under the 2012 Equity Plan can be any combination of the following: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) unrestricted stock, (v) stock units including restricted stock units, (vi) performance awards and (vii) awards (other than awards described in (i) through (vi) above) that are convertible into or otherwise based in Stock. The vesting period of the issuance under the 2012 Equity Plan is at the discretion of the Board of Directors and will have a maximum term not to exceed ten years from the date of grant. As of December 31, 2021 and 2020, 10,331 shares of restricted Common C were issued under the 2012 Equity Plan. The recipients of the awards paid or will pay cash for these restricted shares and is reflected as equity contributions for the fair value of the awards. As of December 31, 2021 and 2020, proceeds from 10,331 shares have been received. The Company has recorded compensation expense of \$0 for the periods ended December 31, 2021 and 2020, respectively. The fair value of the awards is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period. Expected volatilities are based on historical volatility of the Company's stock. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

2011 Phantom Equity Plan

On May 3, 2011, the Board of Directors of the Company approved the Byrider Holding Corp. 2011 Phantom Equity Plan ("2011 Phantom Plan"). The Equity Plan allows the Company to grant up to 7,500 shares of Class C Common Stock units to those key employees, directors, consultants and advisors to the Company or related entities, who, in the opinion of the Board of Directors, are in a position to make a

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements (In thousands except share and per share amounts)

Note 14. Stockholders' Equity (Continued)

significant contribution to the success of the Company. The vesting period of the shares is at the discretion of the Board of Directors. The Class C Common Stock is only payable upon a liquidating event based upon the liquidation preferences of the Common Stock and as a result, no compensation expense will be recorded until a liquidity event occurs. As of December 31, 2012 the Board of Directors amended and restated the 2011 Phantom Plan ("Amended 2011 Phantom Plan"). The Amended 2011 Phantom Plan allows for 11,299.8 shares of Class C Common Stock Units to be available for issuance under the Amended 2011 Phantom Plan. As of December 31, 2021 and 2020, 10,331 shares of Class C Common Stock Units were granted in relation to this plan.

Note 15. Employee Benefit Plans

The Company sponsors an employee 401(k) plan covering substantially all employees, as defined. The Company contributions are based on a percentage of participant contributions to the Plan. For the periods ended December 31, 2021 and 2020, the Company contributed approximately \$1,660 and \$1,432, respectively, to the Plan.

The Company has a partially self-funded group health program. For 2021 and 2020, the Plan includes \$175 of specific stop loss insurance per individual per year with a minimum aggregate limit of \$7,312 and \$7,333, respectively. The Company recorded claims expense of \$4,742 and \$5,092 for the periods ended December 31, 2021 and 2020, respectively.

Note 16. Management Plans

The Company's financial statements are presented on a going concern basis. The warehouse facility has a current maturity date of July 5, 2023, while the Loan and Security Agreement (LSA) and the Inventory Line of Credit (Inventory LOC) both have current maturity dates of June 22, 2023, respectively. The maturity dates for these facilities are all prior to one year after the issuance date of the financial statements as of and for the year ended December 31, 2021. Without a subsequent renewal of any of these facilities, there would be increased pressure on the business due to tighter availability of working capital. The above conditions are events that raised substantial doubt the entities' ability to continue as a going concern for the reasonable period of time before considering managements plans. The Company has engaged an investment banker to lead an equity raise process that upon completion would allow the Company to retire its current Term Loan and Security Agreement (TLSA) debt outstanding and allow it to extend the maturities dates on the warehouse, LSA and Inventory LOC facilities out an additional 1-3 years, respectively. The Company expects to complete the equity raise process and retire the TLSA debt prior to the current maturity date of June 22, 2023 for both the LSA and Inventory LOC. The actual capital structure and type of securities to be issued as a part of the equity raise have yet to be determined, but the Company does expect it to either be in the form of common stock or a combination of common and preferred equity.

The above plans cannot be guaranteed, however, management believes it can accomplish these plans to sustain its operations and related cash flows, lower funding costs, as well as improve overall financial results for a period of more than one year from the issuance date of the financial statements for the year ended December 31, 2021. Management believes that this plan alleviates substantial doubt about the Company's ability to continue as a going concern.

Note 17. Subsequent Events

Inventory Line of Credit

On March 3, 2022, Amendment No. 6 was completed to the inventory line of credit agreement to modify certain language around eligibility criteria for in-transit inventory and reserve levels against the borrowing base, to increasing the facility size to \$20,000 and update the facility maturity date to the earlier of April 15, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On April 12, 2022, Amendment No. 7 was completed to the inventory line of credit agreement to modify the facility

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 17. Subsequent Events (continued)

maturity date to the earlier of May 16, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On May 13, 2022, Amendment No. 8 was completed to update the inventory line of credit agreement to modify the facility margin pricing and extend the maturity date to the earlier of June 15, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 13, 2022, Amendment No. 9 was completed to update the inventory line of credit agreement to extend the maturity date to the earlier of June 22, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 22, 2022, Amendment No. 10 was completed to the inventory line of credit agreement to modify the facility maturity date to the earlier of June 30, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 30, 2022, Amendment No. 11 was completed to update the inventory line of credit agreement for changes to the facility margin pricing, to update certain covenant levels including the Fixed Charge Coverage Ratio ("FCCR") and the net chargeoff ratio and to extend the maturity date to the earlier of June 22, 2023, or the date on which the agreement has been terminated and all obligations have been repaid in full.

Loan and Security Agreement (LSA)

On March 3, 2022, Amendment No. 17 was completed to the LSA to update the definition of Minimum Liquidity and to modify the facility maturity date to the earlier of April 15, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On April 12, 2022, Amendment No. 18 was completed to the LSA to modify the facility maturity date to the earlier of May 16, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On May 13, 2022, Amendment No. 19 was completed to the LSA to modify the facility margin pricing and extend the facility maturity date to the earlier of June 15, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 13, 2022, Amendment No. 20 was completed to the LSA to modify the facility maturity date to the earlier of June 22, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 22, 2022, Amendment No. 21 was completed to the LSA to modify the facility maturity date to the earlier of June 30, 2022, or the date on which the agreement has been terminated and all obligations have been repaid in full.

On June 30, 2022, Amendment No. 22 was completed to the LSA for changes to margin pricing, to update certain covenant levels including the FCCR and the net chargeoff ratio and to extend the maturity date to the earlier of June 22, 2023, or the date on which the agreement has been terminated and all obligations have been repaid in full.

Term Loan and Security Agreement (TLSA)

On February 18, 2022, Amendment No. 14 was completed to the TLSA to adjust the covenant level for the leverage ratio for February 2022.

On April 12, 2022, Amendment No. 15 was completed to the TLSA to adjust the covenant level for the leverage ratio for March 2022 and to extend the maturity date to the earlier of (a) July 7, 2022 and (b) the date on which the principal amount of the Loans has been declared or automatically have become due and payable.

On May 5, 2022 Amendment No. 16 was completed to the TLSA to adjust the covenant level for the leverage ratio for January, March, April and May 2022, respectively.

Byrider Holding Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(In thousands except share and per share amounts)

Note 17. Subsequent Events (continued)

On June 30, 2022, Amendment No. 17 was completed to the TLSA for changes to margin pricing, to update certain covenant levels including the FCCR, the Leverage Ratio and the net chargeoff ratio, to add new covenants for minimum tangible net worth and a budget covenant, and to extend the maturity date to the earlier of July 7, 2023, or the date on which the agreement has been terminated and all obligations have been repaid in full.

Warehouse Facility

On May 4, 2022, Amendment No. 5 was completed to the warehouse facility to adjust the borrowing base leverage ratio related to the Class B portion of the facility.

On June 2, 2022, Amendment No. 6 was completed to the warehouse facility to adjust the covenant level for the leverage ratio, to update the measurement date and levels related to the borrowing base delinquency trigger, to make changes for the transition from LIBOR to SOFR and to extend the maturity date to July 5, 2022.

On July 1, 2022, Amendment No. 7 was completed to the warehouse facility agreement to adjust the covenant level for the leverage ratio and to extend the maturity date to July 5, 2023.

CNART 2022-1

On May 5, 2022, the company entered into an asset-backed security transaction where 132,100 was secured by 153,200 of retail installment contracts and cash equivalents held in trust (CNART 2022-1). The asset backed securities have credit ratings from Kroll ranging from AAA to BB-, and interest payable monthly at fixed rates ranging from 3.44% to 8.29%.

BYRIDER HOLDING CORP
CONSOLIDATING SCHEDULE-BALANCE SHEET INFORMATION
December 31, 2021
(In thousands)

ASSETS

	Byrider Sales Acquisition Corp.										Byrider Systems Acquisition Corp.									
	Sales Acq.	Sales S.	Capital	SPV	Ad Group	Systems Acq.	Systems	Franchising	Finance	Properties	Funding	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1
ASSETS																				
Contract receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108,841	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advances for credit losses	-	-	-	-	-	-	-	-	53,298	-	-	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash	\$ -	\$ (105)	\$ 15	-	\$ -	\$ -	\$ -	\$ (331)	\$ 1,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments held in trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	29	-	-	-	-	-	2,785	5,029	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable, related parties	(2,851)	(91,791)	(1,070)	(22)	-	(76,535)	(10,899)	(139,491)	(19,221)	13,921	(3)	13,989	8,055	(13,917)	(20,044)	(25,175)	48,581	29,487	1,104	598
Inventories	-	22,817	-	-	-	-	-	321	232	2,217	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	-	5,481	-	-	-	-	1,416	321	232	-	-	-	-	-	-	-	-	-	-	-
Prepaids, net	-	-	-	-	-	-	2,250	462	3,021	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	6	1,257	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	5,485	995	-	-	11	88,804	87,081	1,577	2,002	(29)	-	-	-	-	-	-	-	-	161	7,293
TOTAL ASSETS	\$ 2,534	\$ (62,300)	\$ (1,055)	\$ (22)	\$ 639	\$ 19,275	\$ 81,081	\$ 144,325	\$ 81,471	\$ 16,108	\$ (3)	\$ 13,899	\$ 57,198	\$ 65,983	\$ 83,010	\$ 150,205	\$ 49,730	\$ 105,636	\$ 2,165	\$ 7,255,783

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	Byrider Sales Acquisition Corp.										Byrider Systems Acquisition Corp.									
	Sales Acq.	Sales S.	Capital	SPV	Ad Group	Systems Acq.	Systems	Franchising	Finance	Properties	Funding	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1
LIABILITIES																				
Notes payable	\$ -	\$ 718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,288	\$ 413	\$ -	\$ -	\$ 30,637	\$ 53,320	\$ 80,466	\$ 150,205	\$ -	\$ -	\$ -	\$ -
Subordinated notes payable	-	-	-	-	-	-	-	-	54,031	-	-	-	-	-	-	-	-	-	-	-
Trade accounts payable	-	4,191	-	-	484	-	-	460	1,286	-	-	-	-	-	-	-	-	49,568	-	-
Accrued expenses	-	4,974	-	-	64	2,932	757	3,271	12,012	70	-	-	-	-	-	-	-	-	487	-
Lease disadvantage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	68,866	-	-	-	-	1,385	813	-	1,895	-	-	-	-	-	-	-	-	-	-
Deferred tax liability	279	-	-	-	-	-	1,404	-	-	-	-	-	-	-	-	-	-	5,722	-	-
Total Liabilities	279	78,563	-	-	548	4,318	2,161	4,541	128,577	2,478	-	36,637	53,320	80,466	150,205	-	55,280	497	-	588,643

STOCKHOLDERS' EQUITY

	Byrider Sales Acquisition Corp.										Byrider Systems Acquisition Corp.									
	Sales Acq.	Sales S.	Capital	SPV	Ad Group	Systems Acq.	Systems	Franchising	Finance	Properties	Funding	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1	CNART 2018-1
STOCKHOLDERS' EQUITY																				
Class A preferred stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Class B common stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Class C common stock, \$1,000 par value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	5,695	6,440	20	10	99	70,447	87,695	32,817	56,809	4,951	-	-	-	-	-	-	-	(489)	-	(489)
Accumulated deficit	(3,430)	(146,379)	(1,075)	(32)	(8)	(55,490)	(9,059)	(108,864)	(132,915)	(8,660)	(3)	(3)	20,581	12,603	2,544	1,187	(48,730)	(28,509)	1,888	86,820
Total Stockholders' Equity (Deficit)	2,255	(140,899)	(1,055)	(22)	91	14,957	78,620	130,761	(77,106)	13,931	(3)	(3)	20,581	12,603	2,544	1,187	(48,730)	(28,509)	1,888	(94,185)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,534	\$ (62,300)	\$ (1,055)	\$ (22)	\$ 639	\$ 19,275	\$ 81,081	\$ 144,325	\$ 81,471	\$ 16,108	\$ (3)	\$ 13,899	\$ 57,198	\$ 65,983	\$ 83,010	\$ 150,205	\$ 49,730	\$ 105,636	\$ 2,165	\$ 7,255,783

BYRIDER HOLDING CORP.
CONSOLIDATING SCHEDULE STATEMENT OF OPERATIONS INFORMATION
Year Ended December 31, 2021
(In thousands)

	Byrider Sales Acquisition Corp.		Byrider Systems Acquisition Corp.										Holding		Eliminates		Consolidates	
	Sales Acq.	SPV	Ad Group	Systems Acq.	Systems	Franchising	France	Properties	Funding	CNART 2018-1	CNART 2018-1	CNART 2019-1	CNART 2019-1	CNART 2019-1	CNART 2019-1	CNART 2019-1	CNART 2019-1	CNART 2019-1
REVENUE																		
Automobile sales	\$ -	\$ 225,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,884
Extended vehicle service contract revenue	-	25,133	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,713
Automobile sales and service revenue	-	25,133	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,502
Franchise fee and royalty income	-	318	-	-	55	20,693	46,594	105	-	4,752	10,279	15,749	1,716	8,349	-	4,840	(3,517)	20,522
Other income	-	5,292	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,292
Total Revenue	-	253,233	6,032	-	55	20,693	46,641	105	-	4,752	10,279	15,749	1,716	8,349	-	4,840	(3,517)	378,724
EXPENSES																		
Cost of revenue, including provision for credit losses on contracts receivable	-	232,749	6,049	-	-	1,668	4,397	-	-	1,072	1,734	3,025	-	-	-	4,843	(190)	250,525
Interest expense	-	1,155	-	-	-	-	14,695	-	-	-	-	124	35	99	-	-	-	35,463
Advertising, sales and finance operating expenses	-	42,264	459	-	-	4,361	33,034	(275)	-	62	54	109	(9)	238	-	114	(3,516)	76,277
General and administrative expenses	-	(6)	-	-	-	3,693	8,779	(161)	-	(10)	35	34	-	-	-	-	-	20,260
Corporate and interest allocations	-	3,355	7	-	-	1,172	62,693	(419)	-	1,155	1,634	3,529	529	2,162	8,982	5,017	(3,517)	382,523
Total Costs and Expenses	-	279,594	7,114	-	-	8,944	(15,446)	520	-	3,597	8,385	12,220	1,167	4,167	(6,862)	(168)	-	(5,801)
INCOME (LOSS) BEFORE INCOME TAXES	(30)	(21,341)	(282)	(6)	(672)	8,944	(15,446)	520	-	3,597	8,385	12,220	1,167	4,167	(6,862)	(168)	-	(2,047)
Income tax expense (benefit)	30	8	-	-	-	-	3	-	-	-	-	-	-	-	5,726	(19)	(8,350)	(2,417)
NET INCOME (LOSS)	\$ (0)	\$ (21,349)	\$ (282)	\$ (6)	\$ (672)	\$ 8,944	\$ (15,446)	\$ 520	\$ -	\$ 3,597	\$ 8,385	\$ 12,220	\$ 1,167	\$ 4,167	\$ (1,136)	\$ (8,569)	\$ (8,350)	\$ (2,464)

Byrider Holding Corp.
Consolidated Financial Statements
Month Ended June 30, 2023



Byrider Holding Corp.
Consolidated Financial Statements
Month Ended June 30, 2023

Contents

Consolidated Financial Statements:

Balance Sheet
Statement of Operations
Statement of Cash Flows
Adjusted EBTDA Schedule

Byrider Holding Corp.
Consolidated Balance Sheet

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Prior Year	Budget
Assets														
Gross loans receivable	544,018,128	548,568,669	553,122,353	557,406,362	548,137,185	524,519,960	520,624,982	517,363,468	509,437,974	502,150,405	496,097,445	484,811,522	533,044,729	490,977,160
Allowance for credit losses	(64,647,816)	(66,216,112)	(68,068,143)	(70,291,092)	(70,827,846)	(65,746,691)	(123,142,116)	(121,889,582)	(118,335,374)	(115,215,968)	(112,347,739)	(109,402,727)	(58,971,909)	(112,844,927)
Net loans receivable	479,370,312	482,352,557	485,054,211	487,115,269	477,309,339	458,773,269	397,482,866	395,473,886	391,102,600	386,934,438	383,749,706	375,408,795	474,072,820	378,132,233
Cash	3,578,612	2,454,037	3,282,320	5,271,658	1,755,275	3,546,813	3,343,230	5,115,499	3,420,177	3,540,473	2,877,855	3,090,306	2,691,754	2,000,000
Cash Held in Trust	30,490,717	32,340,788	27,741,259	27,262,653	28,508,720	28,149,800	26,788,056	36,185,470	31,909,497	29,380,710	29,615,699	30,570,674	32,635,925	31,374,228
Accounts receivable	13,458,421	13,569,463	13,655,388	14,851,668	15,365,472	16,039,056	16,202,519	16,118,675	15,530,685	15,367,027	15,173,952	13,017,600	12,829,944	14,178,794
Inventories	23,637,697	20,574,652	17,749,442	7,960,104	6,585,092	8,395,946	8,431,026	8,470,141	8,423,783	7,430,898	6,579,952	6,987,898	26,947,579	12,880,522
Property and equipment (net)	10,480,500	10,415,537	10,591,121	10,639,362	10,507,802	10,189,445	10,151,289	9,971,037	9,801,393	9,565,883	9,341,009	9,152,547	9,817,994	9,151,097
Right of Use Asset - Net	72,284,268	70,995,744	70,295,394	69,878,598	69,486,142	58,600,897	58,253,557	61,326,156	61,055,683	60,760,442	60,447,257	60,139,294	71,497,661	58,600,897
Intangible assets	7,012,431	6,949,990	6,987,550	6,825,109	6,762,669	6,700,228	6,637,788	6,575,348	6,512,907	6,450,467	6,388,026	6,325,586	7,074,871	6,465,175
Deferred tax asset	160,799	160,799	160,799	160,799	160,799	160,799	149,718	149,718	149,718	149,718	149,718	149,718	160,799	160,799
Investment in subsidiaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other assets, net of amortization	9,418,179	9,964,958	9,110,528	8,721,400	7,624,904	7,426,716	6,022,148	5,871,255	5,816,521	5,525,173	4,464,789	5,854,288	10,629,856	5,723,751
Total assets	649,891,936	649,478,525	644,528,012	638,686,621	624,266,213	597,970,954	533,462,196	545,257,184	533,722,964	525,105,228	518,787,964	510,696,706	648,359,204	518,667,497
Liabilities														
Accounts payable	10,606,604	11,047,505	13,359,941	16,625,721	15,323,982	14,453,262	13,533,149	12,745,523	11,301,686	12,001,133	13,377,284	10,920,841	8,642,772	10,857,437
Accrued expenses	23,597,547	25,158,434	24,088,017	26,080,175	22,198,468	22,761,213	22,765,529	23,955,329	22,094,538	21,411,686	22,326,675	22,286,155	22,625,290	24,331,171
Income taxes payable	(540,695)	(540,695)	(560,898)	(593,917)	(573,714)	(547,383)	(547,263)	(547,363)	(689,087)	(918,073)	(934,538)	(1,207,252)	(530,695)	1,422,985
Receivables line of credit	59,577,806	83,119,864	81,517,557	82,908,539	84,826,015	66,941,146	79,741,307	38,531,061	45,176,491	49,577,845	51,907,361	49,116,873	57,712,779	45,187,237
Inventory line of credit	15,389,886	13,162,914	11,046,201	5,220,034	3,551,507	5,149,870	4,975,998	5,215,512	5,111,617	4,914,808	3,219,144	4,139,654	16,183,332	7,632,054
Warehouse line of credit	18,136,252	17,960,916	50,217,611	66,510,214	64,212,587	80,995,171	78,459,410	-	8,775,196	17,271,514	25,318,150	32,607,291	-	42,000,000
Securitization Debt	347,524,956	331,282,278	299,565,922	285,037,831	272,713,251	260,753,274	246,315,348	375,569,700	355,101,731	336,444,362	321,457,269	306,733,352	366,219,189	306,710,238
Mortgage payable	382,684	377,700	372,470	367,164	362,314	356,479	351,991	347,696	342,287	337,604	332,808	328,411	388,701	333,979
Mezzanine debt	54,438,361	54,460,978	57,016,348	57,038,965	-	-	-	-	-	-	-	-	54,415,744	-
Subordinated promissory note	55,479,826	56,285,320	57,090,815	57,130,374	120,818,125	130,569,683	131,076,335	131,518,505	132,015,561	132,472,141	133,018,510	143,626,412	54,674,331	133,513,425
Deferred Consideration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease Liability	72,978,134	71,137,380	70,732,430	70,281,664	69,872,932	58,871,835	58,484,067	61,567,068	61,301,554	61,001,946	60,699,654	60,391,373	72,222,777	58,871,835
Deferred tax liability	440,743	440,743	440,743	440,743	440,743	770,471	770,471	770,471	770,471	770,471	770,471	770,471	440,743	440,743
Deferred service contract revenue	73,164,841	73,297,196	73,628,180	73,724,230	69,782,083	66,068,757	63,836,045	62,426,447	60,657,771	58,707,192	56,870,901	54,715,268	71,968,757	58,397,186
Deferred revenue	967,938	897,938	897,938	777,938	550,438	515,438	515,438	465,438	380,438	380,438	380,438	380,438	950,438	515,438
Total liabilities	732,144,883	738,088,471	739,413,276	741,549,674	724,078,731	707,859,217	700,277,824	712,565,388	702,340,254	694,373,069	688,744,128	684,809,287	725,934,158	690,213,728
Shareholders' equity														
Preferred stock	25	25	25	25	25	25	25	25	25	25	25	25	25	-
Common stock	103	103	103	103	103	103	103	103	103	103	103	103	103	128
Treasury stock	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)	(468,605)
Additional paid-in capital - class A preferred stock	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	9,599,975	-
Additional paid-in capital - class B common stock	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	-
Additional paid-in capital - class C common stock	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	66,629,770	87,160,727
Notes receivable from shareholders	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	3,430,983	-
Retained earnings (deficit)	(168,605,200)	(174,962,199)	(181,237,517)	(189,215,306)	(186,164,771)	(196,040,516)	(253,167,881)	(253,660,457)	(254,969,543)	(255,620,094)	(256,308,418)	(260,464,834)	(163,927,208)	(257,898,484)
Total shareholders' equity	(82,252,947)	(88,609,946)	(94,885,264)	(102,863,053)	(99,812,518)	(109,688,263)	(166,815,627)	(167,308,204)	(168,617,290)	(169,267,841)	(169,956,165)	(174,112,581)	(77,574,955)	(171,546,231)
Total liabilities & shareholders' equity	649,891,936	649,478,525	644,528,012	638,686,621	624,266,213	597,970,954	533,462,196	545,257,184	533,722,964	525,105,228	518,787,964	510,696,706	648,359,204	518,667,497

Byrider Holding Corp.
Consolidated Statement of Cash Flow

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	TTM
Operating activities														
Net income (loss)	(4,677,992)	(6,574,707)	(5,869,068)	(7,977,789)	(6,020,299)	(9,469,497)	1,944,484	(492,576)	(900,735)	(650,551)	(688,324)	(3,750,166)	(4,537,869)	(45,127,221)
Adjustments to reconcile net income to net cash provided by operating activities:													-	-
Provision for estimated credit losses	8,520,150	7,777,734	7,942,410	8,842,951	7,537,089	9,449,866	1,688,910	4,264,967	5,031,106	3,985,150	3,270,662	6,226,100	24,466,895	74,537,095
Depreciation and amortization	657,376	657,397	654,273	681,041	1,417,729	607,849	641,323	616,867	541,037	580,790	530,896	567,556	3,478,469	8,154,134
Noncash compensation expense	-	-	-	-	-	1,533,946	2,444	-	-	-	-	-	2,444	1,536,390
(Gain)/Loss on sale of equip and sale/leaseback adj	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Right of Use Asset	806,819	144,971	(382,081)	(398,526)	(374,187)	(10,850,413)	(337,367)	3,082,573	(258,558)	(300,487)	(302,632)	(297,410)	1,586,119	(9,467,300)
(Increase) / Decrease in certain assets:													-	-
Accounts receivable	(628,477)	(111,042)	(85,925)	(1,196,280)	(513,804)	(673,584)	(163,463)	83,844	587,990	163,658	193,075	2,156,352	3,021,456	(187,656)
Inventories	3,309,883	3,063,045	2,825,210	9,789,338	1,375,013	(1,810,854)	(35,080)	(39,115)	46,358	992,886	850,946	(407,946)	1,408,048	19,959,682
Other assets	786,285	(973,322)	432,802	(59,378)	(89,220)	785,081	1,026,808	(202,670)	(223,709)	(31,257)	787,146	(1,700,250)	(343,931)	538,316
(Increase) / (Decrease) in certain liabilities:													-	-
Accounts payable and accrued expenses	2,936,089	2,001,788	835,769	5,257,938	(5,183,447)	(714,225)	(915,797)	402,175	(3,710,879)	16,595	2,291,140	(2,903,214)	(4,819,979)	313,934
Income taxes payable	(10,000)	-	(20,203)	(33,019)	20,203	26,331	120	(100)	(141,724)	(228,986)	(16,465)	(272,714)	(659,869)	(676,557)
Deferred income tax	-	-	-	-	-	341,744	(935)	-	-	-	-	-	(935)	340,809
Deferred service contract revenue	1,176,084	132,355	330,984	96,050	(3,942,147)	(3,713,326)	(2,232,712)	(1,409,598)	(1,768,676)	(1,950,579)	(1,836,291)	(2,155,633)	(11,353,489)	(17,273,489)
Deferred revenue	17,500	(70,000)	-	(120,000)	(227,500)	(35,000)	-	(50,000)	(85,000)	-	-	-	(135,000)	(570,000)
Net cash provided (used) by operating activities	12,893,716	6,048,219	6,664,169	14,882,325	(6,000,569)	(14,522,083)	1,618,734	6,256,366	(882,789)	2,577,220	5,080,153	(2,537,324)	12,112,361	32,078,137
Investing activities														
Loans receivable originated	(28,552,860)	(26,797,591)	(27,013,062)	(26,210,554)	(12,967,567)	(11,325,388)	(12,528,402)	(17,121,568)	(17,254,672)	(13,620,300)	(13,665,528)	(13,360,230)	(87,550,700)	(220,417,721)
Loans receivable repaid	13,127,377	17,610,766	19,456,864	16,157,085	15,692,497	19,422,457	12,943,584	14,855,800	16,560,243	13,839,590	13,621,340	15,463,851	87,284,408	188,751,454
Cash purchases of property & equipment	(817,634)	(15,344)	(118,469)	(213,995)	(8,554)	(1,425,289)	(141,777)	-	-	-	(853)	(5,903)	(148,533)	(2,747,817)
Proceeds from sale of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (used) by investing activities	(16,243,116)	(9,202,169)	(7,674,666)	(10,267,464)	2,716,376	6,671,781	273,405	(2,265,768)	(694,429)	219,290	(45,041)	2,097,718	(414,824)	(34,414,084)
Financing activities														
Net borrowings (payments) from revolving lines of credit	19,207,833	21,139,749	28,537,676	11,857,417	(2,048,677)	496,079	10,090,527	(119,430,142)	15,316,730	12,700,864	8,680,488	5,419,162	(67,222,370)	11,967,706
Proceeds from notes payable/capital lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal payments on notes payable and capital leases	(6,017)	(4,985)	(5,229)	(5,306)	(4,850)	(5,835)	(4,488)	(4,295)	(5,409)	(4,683)	(4,796)	(4,397)	(28,068)	(60,290)
Change in Lease Liabilities	755,356	(1,840,753)	(404,950)	(450,766)	(408,732)	11,001,097	387,769	(3,083,002)	265,515	299,607	302,292	308,281	(1,519,538)	7,131,714
Proceeds / PIK interest from mezzanine debt	828,112	828,112	828,112	22,617	81,096	392,292	496,629	442,170	497,056	456,580	546,368	505,680	2,944,484	5,924,825
Increase/(Decrease) from debt restructuring	-	-	-	-	15,719,620	9,359,267	10,022	0	(0)	0	(0)	10,102,222	10,112,244	35,191,131
(Increase)/decrease in cash held in trust	2,145,208	(1,850,071)	4,599,528	478,606	(1,246,067)	358,920	1,361,744	(9,397,414)	4,275,972	2,528,787	(234,989)	(954,974)	(2,420,874)	2,065,251
Proceeds from Securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal payments on Securitized Notes	(18,694,233)	(16,242,678)	(31,716,356)	(14,528,091)	(12,324,579)	(11,959,978)	(14,437,926)	(11,315,648)	(20,467,969)	(18,657,370)	(14,987,092)	(14,723,918)	(94,589,922)	(200,055,837)
Distributions to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collections (issuance) notes receivable shareholder	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash paid for acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Note to shareholder / (Payment of Note)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Class B Common Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Class C Common Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity Infusion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (used) by financing activities	4,236,260	2,029,374	1,838,780	(2,625,523)	(232,189)	9,641,641	(2,095,722)	(2,218,330)	(118,105)	(2,676,214)	(5,697,730)	652,057	(12,154,043)	2,734,499
Net increase (decrease) in cash	886,859	(1,124,576)	828,284	1,989,337	(3,516,383)	1,791,538	(203,583)	1,772,268	(1,695,322)	120,296	(662,617)	212,451	(456,507)	398,553
Cash at beginning of period	2,691,754	3,578,613	2,454,037	3,282,321	5,271,658	1,755,275	3,546,813	3,343,230	5,115,499	3,420,177	3,540,473	2,877,855	3,546,813	2,691,754
Cash at end of period	3,578,613	2,454,037	3,282,321	5,271,658	1,755,275	3,546,813	3,343,230	5,115,499	3,420,177	3,540,473	2,877,855	3,090,306	3,090,306	3,090,306

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	YTD	Budget	
														Month	YTD
Net Income/(Loss)	\$ (4,677,992)	\$ (6,574,707)	\$ (5,869,068)	\$ (7,977,789)	\$ (6,020,299)	\$ (9,469,497)	\$ 1,944,484	\$ (492,576)	\$ (900,735)	\$ (650,551)	\$ (688,324)	\$ (3,750,166)	\$ (4,539,970)	\$ (639,337)	\$ (2,207,430)
Plus: Add Back Income Statement Items															
Depreciation & Amortization	615,147	606,729	610,102	636,870	1,373,558	563,107	588,856	564,400	488,571	531,169	479,008	515,667	3,167,671	569,877	3,335,450
Mezzanine Interest Expense	842,758	838,031	877,624	855,697	8,611	401,559	10,022	10,333	9,633	10,778	10,667	11,333	62,767	16,285	97,708
Subordinated PIK Interest	828,112	828,112	828,112	22,617	81,096	-	496,629	442,170	497,056	456,580	546,368	607,902	3,046,706	512,728	2,953,008
Subordinated Note Discount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Expense / (Gain)	500	562	500	(1,881)	500	1,411,704	2,944	-	-	88	-	-	3,033	45,500	173,000
ACP Management Fees	77,247	71,667	95,825	66,667	341,464	114,011	66,667	178,679	-	156,772	66,667	66,667	535,452	106,667	480,000
Amortization of Intangibles	62,440	62,440	62,440	62,440	62,440	62,840	62,440	62,440	62,440	62,440	62,440	62,440	374,643	53,895	323,370
Federal Taxes	-	-	-	-	-	3,704,539	-	-	-	-	-	-	-	79,515	626,800
Total Expense / (Income)	2,426,204	2,407,541	2,474,604	1,642,410	1,867,670	6,257,759	1,227,559	1,258,024	1,057,701	1,217,828	1,165,150	1,264,010	7,190,272	1,384,466	7,989,337
EBTDA	(2,251,788)	(4,167,166)	(3,394,464)	(6,335,379)	(4,152,629)	(3,211,737)	3,172,043	765,447	156,966	567,277	476,826	(2,486,156)	2,650,302	745,129	5,781,907
Plus: Deferred Extended Service Contract ("ESC") Revenue	1,176,084	132,355	330,984	96,050	(3,942,147)	(3,713,326)	(2,232,712)	(1,409,598)	(1,768,676)	(1,950,579)	(1,836,291)	(2,155,633)	(11,353,489)	(1,275,664)	(7,671,571)
Adjusted EBTDA	\$ (1,075,704)	\$ (4,034,811)	\$ (3,063,481)	\$ (6,239,328)	\$ (8,094,776)	\$ (6,925,063)	\$ 939,331	\$ (644,151)	\$ (1,611,710)	\$ (1,383,302)	\$ (1,359,464)	\$ (4,641,790)	\$ (8,703,187)	\$ (530,535)	\$ (1,889,664)

Note:

The above schedule reflects the addition of ESC revenue to EBTDA. Beginning in March, 2017, J.D. Byrider ("JDB") offered the ESC and vehicle as two separate products within a three-store market. Within this market, the ESC is an optional ancillary product for a Customer to purchase and the ESC replaced the warranty that had been previously included with the purchase of each vehicle. In July, 2018, Byrider converted all of its remaining Company Stores to the sales model that offers the ESC as a separate ancillary product at the time of each vehicle sale. Prior to replacing the included warranty with the separate ESC, automobile revenue was recognized for the full purchase price of the vehicle at the time of sale, which included the warranty price. ASC 606-10-55-31 & 605-25-25-3 dictate that by selling the ESC separate of the vehicle, a scenario is created in which JDB must recognize ESC revenue over the life of the ESC contract. Therefore, revenue related to the ESC is deferred at the point of sale and recognized on a straight-line basis over the life of the ESC. To appropriately compare EBTDA (Operating Income) to prior periods, Byrider calculates and uses an Adjusted EBTDA metric by adding the Deferred ESC Revenue to EBTDA.

GUARANTEE OF PERFORMANCE

For value received, Byrider Holding Corp., a Delaware corporation (the “Guarantor”), located at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032, absolutely and unconditionally guarantees to assume the duties and obligations of Byrider Franchising, LLC, located at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Carmel, Indiana, on the 15th day of August, 2023.

Guarantor:

Byrider Holding Corp.

By:  _____

Name: Craig S. Peters

Title: Chief Executive Officer

EXHIBIT B
TO
FRANCHISE DISCLOSURE DOCUMENT



FRANCHISE AGREEMENT

BETWEEN

BYRIDER FRANCHISING, LLC

and

«Name of Franchisee», «Entity Type»
(Name of Franchisee)

«Street»
(Street)

<u>«City»,</u>	<u>«State»</u>	<u>«Zip_Code»</u>
City	State	Zip Code

«Telephone»
Telephone

«Fax»
Fax Number

BUSINESS LOCATION

«Business_Location»

IDENTIFICATION #_____

BYRIDER FRANCHISING, LLC
FRANCHISE AGREEMENT

TABLE OF CONTENTS

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
ARTICLE I	RECITALS	1
1.1	Right to License.	1
1.2	The System.....	1
1.3	The Trade/Service Marks.....	1
1.4	Grant of Licenses.	1
1.5	Agreement to Obtain/Grant Franchise.	1
ARTICLE II	ACKNOWLEDGMENTS.....	2
2.1	Independent Investigation.	2
2.2	Existing Franchisees.	2
2.3	No Representations Regarding Profits of the Franchise.	2
2.4	No Representations Regarding Profits of the Company or System.	2
2.5	Reservation of Rights by the Company.	2
2.6	Different Franchise Agreements.	2
2.7	Franchise Disclosure Document.	2
2.8	No Representation Regarding Licenses/Permits.....	3
2.9	The Franchisee's Advisors.	3
2.10	Covenants Not to Compete.	3
2.11	The Franchisee Information.....	3
ARTICLE III	CERTAIN DEFINITIONS	3
3.1	Advertising Fee.....	3
3.2	Affiliate.	3
3.3	Business.	3
3.4	Business Location.	3
3.5	Confidential Information.	4
3.6	Franchisee.	4
3.7	Gross Sales/Gross Receipts.....	4
3.8	Initial Franchise Fee.....	5
3.9	Service Center.....	5
3.10	Royalty Fee.	5
3.11	Transfer Fee.	6
ARTICLE IV	GRANT OF BYRIDER FRANCHISE.....	6
4.1	Grant of Franchise and License.	6
4.2	Retention of Rights.	7
4.3	Relocation.	7
4.4	The Franchisee's Restrictions.....	7

TABLE OF CONTENTS
(Continued)

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
ARTICLE V	TERM AND SUCCESSOR FRANCHISE AGREEMENTS	8
5.1	Term.....	8
5.2	Right to Obtain Successor Franchise Agreements.....	8
5.3	Form and Manner of Exercising Right to Obtain a Successor Franchise.....	9
ARTICLE VI	SERVICES OF THE COMPANY.....	10
6.1	Initial Training Program and Technology System Installation.....	10
6.2	Specifications for Building, Equipment, Signs and Supplies.	11
6.3	Confidential Operating Manual.	11
6.4	Company's Site Approval.	12
6.5	Company Approval of Business Location.	12
6.6	On-Site Assistance.....	12
6.7	Grand Opening.....	12
6.8	Additional Training.....	13
6.9	Guidance.	13
6.10	Operating Assistance-Inspections.....	13
6.11	Annual Meetings.....	13
ARTICLE VII	OPENING AND OPERATION OF THE BUSINESS	14
7.1	Business Location.	14
7.2	Construction of Business Location.	15
7.3	Location Lease or Purchase Agreement.	15
7.4	Opening for Franchisee's Business.....	15
7.5	Maintain Standards, Upgrades.....	16
7.6	Use of Business Location.....	16
7.7	Approved Suppliers.	16
7.8	Compliance with Laws.	16
7.9	Payment of Liabilities and Taxes.....	17
7.10	Standardization.	17
7.11	Management.....	17
7.12	Employee Training.....	17
7.13	Unauthorized Activities.	17
7.14	Notice to the Company.	17
7.15	Modifications to the System.	18
7.16	Confidential Information.	18
7.17	Service Center Operations.	19
7.18	Information Security.....	19
ARTICLE VIII	TRADEMARKS	19
8.1	Ownership.....	19
8.2	Use.	19
8.3	Infringement.....	20
8.4	Substitutions.....	20

TABLE OF CONTENTS
(Continued)

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
ARTICLE IX FEES		20
9.1	Initial Franchise Fee.....	20
9.2	Royalty and Advertising Fee.	21
9.3	Payment.....	21
9.4	Technology System Fees.	21
9.5	Reputation Management Fee.	22
ARTICLE X ADVERTISING AND PROMOTION		22
10.1	Advertising Fee.....	22
10.2	National Advertising Fund.....	23
ARTICLE XI RELATIONSHIP OF PARTIES/INDEMNIFICATION		23
11.1	Relationship of the Parties.	23
11.2	No Liability for Acts of the Other.....	23
11.3	Indemnification.	24
ARTICLE XII INSURANCE		24
12.1	Required Insurance.	24
12.2	The Company's Right to Purchase.	26
12.3	Disclaimer.	26
12.4	Proof of Insurance.....	26
12.5	Notice of Claims.	26
12.6	Failure to Insure - Right to Terminate.	26
12.7	Minimum Coverages.....	27
ARTICLE XIII REPORTS, FINANCIAL STATEMENTS, AND AUDIT RIGHTS		27
13.1	Books and Records.	27
13.2	Computer Records.	27
13.3	Audit of Books and Records.	28
13.4	Compliance Audits.....	28
ARTICLE XIV TRANSFER OF FRANCHISE		29
14.1	Assignment by the Company.....	29
14.2	Assignment by Franchisee to a Wholly-Owned Corporation or Limited Liability Company or Other Business Entity.....	29
14.3	Assignment by Franchisee to Third Party.....	29
14.4	Death or Incapacity of the Franchisee.	33
14.5	Effect of Consent to Transfer.....	33
14.6	No Encumbrance.....	33
ARTICLE XV RIGHT OF FIRST REFUSAL		34
15.1	Procedure Regarding Right of First Refusal and Assignment.	34
15.2	Right of First Refusal.....	34
15.3	Company Objections/Conditions to Assignment.....	34

TABLE OF CONTENTS
(Continued)

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
15.4	Change in Terms/Conditions of Assignment.....	34
15.5	Failure of Assignment - New Right of First Refusal.	34
ARTICLE XVI	DEFAULT & TERMINATION.	35
16.1	The Company's Right to Terminate Prior to Opening.	35
16.2	The Company's Right to Terminate After Opening.	35
16.3	Franchisee's Rights to Terminate.	38
16.4	Cross-Default.	38
ARTICLE XVII	OBLIGATIONS UPON TERMINATION.....	39
17.1	Obligations.....	39
17.2	Termination of Access to BYRIDER Computer Software.	39
17.3	Survival of Obligations.	39
ARTICLE XVIII	COVENANTS NOT TO COMPETE	40
18.1	In-Term Covenant Not To Compete.	40
18.2	After Termination.	40
18.3	Covenants by Franchisee's Personnel.	40
18.4	Enforcement of Covenants Not To Compete.	41
18.5	Fee for Employment Practices.	41
ARTICLE XIX	ARBITRATION	41
19.1	Arbitration.....	41
ARTICLE XX	MISCELLANEOUS.....	43
20.1	Severability.	43
20.2	No Third Party Rights.....	43
20.3	Captions.	43
20.4	Counterparts.....	43
20.5	Governing Law.	43
20.6	Choice of Forum.	43
20.7	Jury Trial Waiver.	44
20.8	Punitive Damage Waiver.	44
20.9	Limitation of Actions.....	44
20.10	Waiver.....	44
20.11	Royalty Fee.	44
20.12	Attorneys' Fees.....	44
20.13	Notices - Approvals.	44
20.14	Binding Effect.....	45
20.15	Complete Agreement.	45
20.16	Confidentiality.	45
20.17	Submission of Agreement.....	46
20.18	Compliance with Anti-Terrorism Laws.....	46
20.19	Disclosure of Franchisee Shareholders.....	46

TABLE OF CONTENTS
(Continued)

<u>ARTICLE</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
-----------------------	---------------------------	--------------------

Exhibits

Exhibit A	- Business Location	
Exhibit B	- Royalty Category and Additional Franchise Category	
Exhibit C	- Personal Guaranty and Assumption of Franchisee's Obligations	
Exhibit D	- Byrider Software Services and User Agreement	
Exhibit E	- Disclosure Acknowledgment Statement	
Exhibit F	Lease Addendum	
Exhibit G	Affiliated Entity Joinder re Business Location	
Exhibit H	Owner's Joinder	

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (sometimes referred to herein as "Agreement") made and entered into this «Day» day of «Month», «Year», by and between Byrider Franchising, LLC, an Indiana limited liability company, having its principal office at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (herein called the "Company") and «Name of Franchisee», «Entity Type», having principal offices at «Street», «City», «State» «Zip Code» (herein called the "Franchisee").

ARTICLE I

RECITALS

1.1 **Right to License.** The Company has the right to license the formats, systems, methods, procedures and standards for establishing, developing and operating a business under the Marks (as defined below) offering used vehicles and, in connection therewith, financing services (herein sometimes called the "BYRIDER business" and the "CNAC business," respectively, and collectively the "System").

1.2 **The System.** The distinguishing characteristics of the System include, without limitation, a facility for the Business Location wherein such business is conducted; a system for establishing and operating a business for the offer and sale and service of used vehicles; a system for the financing of primarily used vehicles; BYRIDER Computer Software; exterior and interior design, decor, layout and color scheme; exclusively designed signage; confidential operating procedures; methods and techniques for inventory and cost controls, collections, record keeping, accounting and reporting, personnel management, purchasing, service and reconditioning, sales promotion, marketing and advertising all of which may be changed, improved and further developed by the Company from time to time. Also included in the system is a requirement that all franchisees offer a warranty program with the sale of every vehicle.

1.3 **The Trade/Service Marks.** The Company is the owner of and has the right to license the use of the name "CNAC", "CNAC CARNOW ACCEPTANCE COMPANY", "CNAC CARNOW ACCEPTANCE COMPANY plus the design", "BYRIDER" and "BYRIDER plus the design" and the trademarks, service marks, logos, and trade names now or hereafter used in connection with the System (herein called the "Marks").

1.4 **Grant of Licenses.** The Company grants to persons, who meet the Company's qualifications and are willing to undertake the investment and effort, a franchise to establish and operate a business using the System at a specified location(s) and a license to use the Marks in connection therewith.

1.5 **Agreement to Obtain/Grant Franchise.** The Franchisee desires a franchise to establish and operate a business using the System and the Company is willing to grant such a franchise on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party, hereby agree as follows:

ARTICLE II

ACKNOWLEDGMENTS

To induce the Company to enter into this Agreement the Franchisee acknowledges, warrants and represents as follows.

2.1 **Independent Investigation.** The Franchisee has had the opportunity to conduct an independent investigation of the business opportunity offered hereunder and the terms and provisions of this Agreement. The Franchisee recognizes that the nature of the business described herein may evolve and change over time, that an investment in the franchise involves business risks and that the success of the venture depends primarily upon the Franchisee's business ability and efforts and other factors which are beyond the Company's control and which have nothing to do with the System or the Company's performance of its obligations under this Agreement.

2.2 **Existing Franchisees.** Prior to the execution of this Agreement, the Franchisee had the opportunity to contact all existing franchisees of the Company.

2.3 **No Representations Regarding Profits of the Franchise.** No representations have been made by the Company or by its officers, directors, shareholders, employees or agents, and relied upon by the Franchisee as to future or past income, expenses, sales volume or potential profitability, earnings or income of the business franchised hereby, or any other franchisee, other than information provided in Item 19 of the Company's Franchise Disclosure Document.

2.4 **No Representations Regarding Profits of the Company or System.** No representation or statement has been made by the Company or by its officers, directors, shareholders, employees or agents and relied upon by Franchisee regarding the anticipated income, earnings and growth of the Company or of the System, or the viability of the business opportunity being offered hereunder.

2.5 **Reservation of Rights by the Company.** The Company has certain rights reserved to it to own and operate BYRIDER businesses; to franchise other BYRIDER businesses; and, to otherwise use the System, the Marks, know-how, techniques and procedures.

2.6 **Different Franchise Agreements.** The Company has and reserves the right to grant franchises for the operation of BYRIDER businesses to other franchisees with terms different from this Agreement.

2.7 **Franchise Disclosure Document.** The Franchisee has received from the Company a copy of the Company's Franchise Disclosure Document, together with a copy of all proposed Agreements relating to the sale of the franchise, at least fourteen (14) calendar days, except in Michigan, at least ten (10) business days, prior to the execution of this Agreement or the payment by the Franchisee to the Company of any consideration in connection with the sale or proposed sale of the franchise granted hereby.

2.8 **No Representation Regarding Licenses/Permits.** No representation or statement has been made by the Company, or by its officers, directors, shareholders, employees or agents and relied upon by the Franchisee regarding the Franchisee's ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the business franchised hereby.

2.9 **The Franchisee's Advisors.** The Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. The Franchisee has either consulted with such advisors or has voluntarily declined to do so.

2.10 **Covenants Not to Compete.** The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on the Franchisee since the Franchisee has other considerable skills, experience and education which afford the Franchisee the opportunity to derive income from such other endeavors.

2.11 **The Franchisee Information.** The Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to the Company is true, complete and accurate in all respects, with the Franchisee expressly acknowledging that the Company is relying upon the truthfulness, completeness and accuracy of such information. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ARTICLE III

CERTAIN DEFINITIONS

3.1 **Advertising Fee.** The term "Advertising Fee" shall mean the fees discussed in Article X herein.

3.2 **Affiliate.** The term "affiliate" shall mean a person or other legal entity in which Franchisee or its owners (i) own more than 10% of the issued and outstanding ownership interest and voting rights or (ii) have the right and power to control and determine the affiliate's management and policies.

3.3 **Business.** The term "Business" shall mean each Byrider sales division complete with CNAC finance division and Service Center, utilizing in connection therewith the System and the Marks. The term "Franchisee's Business" shall mean the Business operated by Franchisee pursuant to the rights granted by this Agreement.

3.4 **Business Location.** The term "Business Location" shall mean the land and building premises, interior and exterior, from which the Franchisee's Business is operated. The Franchisee's Business shall be located in the area listed in Exhibit A.

3.5 **Confidential Information.** The term "Confidential Information" shall mean all confidential and/or secret information concerning the Company, the Franchisee's Business, or the System including, but not limited to, customer lists, names of customers and all information developed by and/or for the Company and/or its affiliates, whether now owned or hereafter obtained, concerning plans, marketing and sales methods, customer relationships, materials, processes, procedures, devices utilized by the Company and/or its affiliates, business forms, costs, prices, suppliers, information concerning past, present or future contractors, representatives and past, present and/or future customers of the Company and/or its affiliates, plans for development of new or existing products, services and expansion into new areas or markets, internal operations and any variations, trade secrets, proprietary information and other confidential information of any type together with all written graphic, video and other materials relating to all or any part of the same.

3.6 **Franchisee.** The term "Franchisee" used in this Agreement shall refer to each person executing this Agreement as the Franchisee and shall apply to each such person as if he/she were the only named Franchisee in this Agreement. If the Franchisee is a corporation, limited liability company, or other entity, each of Franchisee's owners with 50% or more direct or indirect interest in Franchisee must execute a guaranty in the form the Company prescribes undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and the Company; provided that if no one individual owns 50% or more interest in Franchisee, individuals who together own at least 50% ownership interest in Franchisee must execute a guaranty. Each person with ownership interest in Franchisee who does not execute a guaranty must execute a joinder in the form the Company prescribes undertaking personally to be bound by the covenants restricting transfers of interest in Franchisee and confidentiality and noncompetition covenants applicable to all owners of Franchisee under this Agreement. If more than one person executes this Agreement as the Franchisee, each proprietor or person executing this Agreement shall be jointly and severally liable for all obligations and duties of the Franchisee hereunder. If the Franchisee is a trust, each trustee or beneficiary signing this Agreement shall be jointly or severally liable for all the obligations and duties of the Franchisee hereunder. Notice to or demand upon one Franchisee shall be deemed notice to or demand upon all Franchisees.

3.7 **Gross Sales/Gross Receipts.**

Gross Sales (Byrider Vehicle Sales). The term "Gross Sales (Byrider Vehicle Sales)" shall mean the full purchase price of all vehicles sold at retail (whether financed or sold for cash), including charges for vehicle service contracts, documentary fees, and all other fees or charges which accompany the sale, minus overallowances given on trade-in vehicles. For example, the customer's purchase price of the vehicle is \$10,000 and the customer has a trade in with an actual cash value of \$1,000 and assuming no vehicle service contract or other charges. However, the Franchisee offers \$1,500 for the trade in. The "overallowance" is the amount offered of \$1,500 less the actual cash value of \$1,000 equaling \$500. Therefore, "Gross Sales (Byrider Vehicle Sales)" in this example is the full purchase price of \$10,000 less the overallowance of \$500 which equals \$9,500. "Gross Sales (Byrider Vehicle Sales)" excludes receipts from "wholesaled vehicles" and all titling fees and taxes imposed by federal, state, or other governmental authority directly and collected from customers so long as it is actually paid by

Franchisee to such governmental authority. Wholesaled Vehicles are defined as vehicles sold for resale and for which no sales tax is required.

Gross Receipts (CNAC and Service Center Collections). The term “Gross Receipts (CNAC and Service Center Collections)” shall mean all monies received, such as payments from customer accounts, deferred down payments, payments from bulk sale of customer accounts, and including all other amounts received, except cash down payments received prior to delivery of the vehicle; plus, all monies received in connection with the Service Center (as defined below), including deductible amounts.

3.8 **Initial Franchise Fee.** The term "Initial Franchise Fee" shall mean Sixty Thousand (\$60,000) Dollars. For each additional franchise, Franchisee shall pay the then current fee. See Exhibit B for Franchisee’s additional franchise category designation (“Additional Franchise Category”)

3.9 **Service Center.** The term “Service Center” shall mean the service center located at the Business to service vehicles sold by Businesses in accordance with the Company’s standards and specifications.

3.10 **Royalty Fee.** The Royalty Fee commencement date is the earlier of the date the Franchisee’s Business is open to the public or the one-year anniversary of the date of this Agreement. The term “Royalty Fee” shall mean that amount calculated monthly as follows:

Gross Sales (Byrider Vehicle Sales):

- A. During the first year of operation of Franchisee’s Business: \$5,500 per month; and
- B. After the first year of operation of Franchisee’s Business: the greater of \$7,800 per month or 1% of the Franchisee’s Gross Sales (Byrider Vehicle Sales) for that month.

The foregoing \$7,800 minimum monthly payment provided in subsection (B) above is for the 2023-2024 calendar years. That minimum monthly payment will increase by 4.0% on January 1st of every other year (for example, it will increase by 4.0% on January 1, 2025 and increase by another 4.0% on January 1, 2027, etc.) throughout the Term (as defined in Section 5.1 below).

plus,

Gross Receipts (CNAC and Service Center Collections):

After the first year of operation of Franchisee’s Business, 1.90% of Franchisee’s Gross Receipts (CNAC and Service Center Collections) throughout the remaining Term of this Agreement; *provided, however,* if this is Franchisee’s third (or subsequent) Franchise Agreement that it has entered into with the Company, then Franchisee shall pay 1.65% of Franchisee’s Gross Receipts (CNAC and Service

Center Collections) throughout the remaining Term of this Agreement, so long as (i) Franchisee is in compliance with all other Franchise Agreements with the Company; and (ii) Franchisee continues to operate at least two (2) additional Businesses under separate Franchise Agreements with the Company that are open to the public. In the event Franchisee fails to meet any of the foregoing conditions, Franchisee shall pay 1.90% of Franchisee's Gross Receipts (CNAC and Service Center Collections) for the remaining Term of this Agreement.

plus,

Unaffiliated Assignment of Retail Installment Contracts. Franchisee may sell and assign retail installment contracts to unaffiliated third parties (each or collectively "Third Party"); provided, however: (i) Franchisee must obtain Company's approval of the Third Party, which Company shall not unreasonably withhold; and (ii) Franchisee may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of Franchisee's Gross Sales 12-month rolling monthly average.

Third Party Financed Sales Fee. Franchisee shall pay to Company the amount stated below per contract sold or assigned at time of vehicle sale from Franchisee's dealer entity to Third Party ("Third Party Financed Sales Fee") based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

See Exhibit B for Franchisee's royalty category designation ("Royalty Category").

3.11 **Transfer Fee.** The term "Transfer Fee" shall mean Five Thousand (\$5,000) Dollars.

ARTICLE IV

GRANT OF BYRIDER FRANCHISE

4.1 **Grant of Franchise and License.** Subject to the terms and conditions herein, the Company hereby grants to the Franchisee, and the Franchisee hereby accepts from the Company, (A) a non-exclusive franchise to open and operate one Business and (B) a non-exclusive license to use the System and the Marks solely in connection with the operation of the Franchisee's Business. Termination or expiration of this Agreement shall constitute a termination of the foregoing franchise and license. The Company will not operate or grant a franchise for the operation of another Business, the physical premises of which is located within the protected territory described on Exhibit A hereof (the "Protected Territory"); provided that the Company may operate and grant franchises for the operation of Businesses in the Protected Territory if the

Company delivers a notice of default under this Agreement and Franchisee does not cure the default within the applicable cure period, if any.

4.2 **Retention of Rights.** Except as explicitly and specifically granted to the Franchisee herein, all rights in and to the Marks, the System, and the Business and the goodwill associated with each of them is hereby reserved to the Company. Franchisee is not granted any rights by implication, innuendo, extension or extrapolation. Specifically, but without limitation, the Company retains the right, but shall not be obligated, to:

- A. Add new programs, products and/or services to the Business at any time;
- B. Establish, operate and franchise a business offering and selling products and/or services which may be the same as or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks;
- C. Use or license the use of the Marks in business other than the Business;
- D. Acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Business Locations, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;
- E. Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Business Locations, or by another business; and
- F. Engage in all other activities not expressly prohibited by this Agreement.

Nothing in this Agreement limits the Company's rights to sell, distribute and/or to provide products and services of any kind, under the Marks or otherwise, anywhere except at the Business Location.

4.3 **Relocation.** The Franchisee's Business is granted for a specific location, or a location to be approved by the Company. The Franchisee may relocate the Franchisee's Business with the prior written approval of the Company without obligation to pay the Company an additional Initial Franchise Fee. However, the Franchisee is not entitled to the services of the Company in connection with such relocation and reopening without an agreement with the Company regarding the payment of the then current fees for such services plus the reimbursement of its expenses.

4.4 **The Franchisee's Restrictions.** The Franchisee expressly acknowledges that the territorial rights described in Section 4.1 confers upon the Franchisee no marketing exclusivity therein. The Franchisee expressly acknowledges and understands that all Businesses (whether company-owned, company joint-ventured, franchised or otherwise) may solicit and service clients and otherwise advertise and offer the services of their respective Business anywhere.

ARTICLE V

TERM AND SUCCESSOR FRANCHISE AGREEMENTS

5.1 **Term.** The Term of this Agreement shall be ten (10) years (hereinafter "Term") commencing on the date this Agreement is executed.

5.2 **Right to Obtain Successor Franchise Agreements.** Upon the expiration of this Agreement, if the Franchisee has met certain conditions contained in Section 5.2 and subject to the terms and conditions of this Section 5.2, then the Franchisee shall have the right to obtain one (1) additional successor franchise ("Successor Franchise Agreement") to operate Franchisee's Business for an additional ten (10) year term. The qualifications and conditions for the successor franchise term are described below:

A. The Franchisee shall have the right to occupy the Business Location or such other location approved by the Company in writing, for a period ending not sooner than the expiration of the term of the Successor Franchise Agreement;

B. The Franchisee has complied with all the material terms and conditions of this Agreement and has complied with the Company's material operating and quality standards and procedures. In the event the Franchisee is not in compliance, the Company agrees to provide written notice to the Franchisee and the Franchisee will be able to cure within 5 business days of receipt of notice of its non-compliance. In the event Franchisee cures its non-compliance within such period, Franchisee will be deemed to have met its obligation under 5.2B;

C. All monetary obligations owed by the Franchisee to the Company have been satisfied prior to such Successor Franchise Agreement and have been met, when due, throughout the Term or Franchisee has cured any noncompliance within 5 business days of delivery of written notice. In the event the Franchisee is not in compliance, the Company agrees to provide written notice to the Franchisee and the Franchisee will be able to cure within 5 business days of receipt of notice of its non-compliance. In the event of Franchisee cures its non-compliance within such period, Franchisee will be deemed to have met its obligation under 5.2C;

D. The Franchisee has made, at its expense, such expenditures necessary to upgrade, remodel and redecorate the Business Location and the fixtures, equipment and supplies used in the Franchisee's Business to conform to the requirements of the System and the image of the Business at the commencement of the Successor Franchise Agreement (the "Necessary Modifications"); provided that the Company will not require any modifications to the exterior signage if the Company required an exterior signage modification within the five (5) years immediately preceding the expiration of this agreement. The Company shall notify the Franchisee of the Necessary Modifications within ninety (90) days after receipt of the Successor Franchise Notice;

E. The Franchisee executes the then current franchise agreement and other forms the Company is then requiring of new franchisees, which may contain rights and obligations which are materially different than those contained in this Agreement, except that the Franchisee will not be required to pay an Initial Franchise Fee;

F. The Franchisee executes and delivers to the Company a written general release (except as may be limited by law) of all claims and demands against the Company, its officers, directors, representatives and affiliates provided, however, that all rights enjoyed by the Franchisee mandated by applicable state law shall remain in force and the Company's indemnification obligations under Section 11.3.B shall remain in force for a period of two (2) years after the expiration of this Agreement; and

G. The Franchisee has settled or resolved or is vigorously defending all pending claims and demands against it by any governmental agency or authority.

H. Notwithstanding anything to the contrary contained in Section 5.2 of this Agreement, the Company agrees that if Company is then still in the business of licensing new franchises for the operation of BYRIDER businesses, Franchisee shall have the right to obtain unlimited successive ten (10) year renewal terms provided that Franchisee meets the qualifications and conditions for the successor franchise set forth in, and subject to the terms and conditions of, Sections 5.2 and 5.3 of this Agreement.

The failure by the Franchisee to sign the agreements and the release described in Subsection E and F above within thirty (30) days after delivery thereof to the Franchisee or, if sooner, by the expiration of the Term shall be deemed an election by the Franchisee not to obtain such successor franchise.

5.3 Form and Manner of Exercising Right to Obtain a Successor Franchise. The Franchisee shall exercise its right to obtain a successor franchise in the following manner: Not more than one year before the expiration of the Term or less than one hundred eighty (180) days before the expiration of the Term, the Franchisee shall give the Company written notice of its desire to obtain a successor franchise ("Successor Franchise Notice"). Within sixty (60) days after its receipt of Franchisee's notice, the Company shall furnish the Franchisee with written notice of its decision ("Company's Notice") (i) to grant a successor franchise; (ii) to not grant a successor franchise based on its decision that the Franchisee has not complied with this Agreement, unless the Franchisee cures the defaults within the applicable time period, or (iii) to grant a successor franchise on the condition that the Franchisee brings the Franchisee's Business in compliance with the Company's then-current requirements relating to the image, appearance, declaration, furnishing and equipping a Business, or (iv) to not grant a successor franchise because the Company no longer offers new franchise agreements for Businesses. The obtaining of a successor franchise shall be conditioned upon the Franchisee's compliance with such requirements and continued compliance with all terms and conditions of this Agreement through the expiration of the Term.

In the event the Company decides not to grant a successor franchise because the Company no longer offers new franchise agreements for Businesses and Franchisee does not operate any other Business pursuant to a franchise agreement with the Company, the Company shall hold implementation of the provisions of Sections 17.1.D, E, F, G, H and 17.2 in abeyance for such reasonable period of time as is necessary (not to exceed 120 days) for the Franchisee to implement, at its sole expense, a transition of Franchisee's Business to new systems, new signage, etc. without charge to the transferee therefor and Section 18.2 shall be inapplicable.

If, upon receipt of Franchisee's notice under this Section 5.3, the Company determines that, based on demographic changes and other factors, it desires to establish and operate or grant a franchise for the operation of an additional Business in the Protected Territory, the Company will give Franchisee a right of first refusal to acquire an additional franchise for the establishment of another Business in the Protected Territory. The Company will advise Franchisee of such right of first refusal opportunity in the Company's Notice. Franchisee will have thirty (30) days after receiving the Company's Notice to exercise Franchisee's right of first refusal. In order to exercise its right of first refusal, Franchisee must meet Company's then current criteria for franchisees and demonstrate sufficient capital and sign the Company's then current franchise agreement. If Franchisee does not exercise its right of first refusal within such thirty (30) day period or does not qualify for the additional franchised location, then Company will modify the Protected Territory as a condition of granting the Franchisee a successor franchise and Franchisee shall have no right of first refusal to the territory that ceases to be part of Franchisee's Protected Territory under the renewal franchise agreement.

ARTICLE VI

SERVICES OF THE COMPANY

Pre-Opening.

6.1 Initial Training Program and Technology System Installation.

A. **Ownership and Management.** Franchisee's Business shall, at all times, be under the direct supervision of a Franchisee-designated manager who shall devote his or her full-time efforts to the management of the day to day operation of Franchisee's Business ("Designated Manager"). Franchisee shall keep Company informed, in writing, at all times of the identity of its Designated Manager.

B. **Initial Training Program.** Prior to the opening of the Franchisee's Business, the Company shall make an initial operations training program ("Initial Training Program") available to Franchisee's Designated Manager and up to three (3) additional employees. At least 14 days prior to the opening, the Designated Manager must attend and successfully complete, to the Company's satisfaction, the Initial Training Program consisting of approximately two (2) weeks of combined classroom and on the job instruction pertaining to operation of the Franchisee's Business that may include sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, reporting procedures, and other operational issues.

C. **Location and Costs.** Company shall conduct training programs at its headquarters or at another designated location. Company shall not charge tuition for initial training for Franchisee's Designated Manager and up to three additional employees; however, Company will charge Franchisee a nonrefundable fee in the amount of \$2,500 for each additional employee attending the Initial Training Program. All expenses incurred by Franchisee or its employees attending such Initial Training Program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee.

D. **New Designated Manager.** If Franchisee names a new Designated Manager, then the new Designated Manager must complete the Initial Training Program to Company's satisfaction within thirty (30) days post-hire. One new Designated Manager per year may attend the Initial Training Program without charge. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance to such training.

E. **Unsatisfactory Completion.** If Company determines that the Designated Manager is unable to satisfactorily complete the Initial Training Program, Company shall have the right to terminate this Agreement in the manner provided herein. Upon such termination, Franchisee and its owners shall execute a general release pursuant to which Franchisee and its owners will release the Company from any claims or causes of action the Franchisee may have under or pursuant to this Agreement and Franchisee shall have no further right, title or interest in the Business, the Marks or the System.

F. **Installation of Technology System.** Company will grant Franchisee access to Byrider proprietary software and third-party technology services prior to the opening of business.

6.2 **Specifications for Building, Equipment, Signs and Supplies.** Before commencement of the construction at the Business Location, the Company shall deliver to the Franchisee specifications for the building, equipment, furnishings, decor, layout and signs required to open and operate the Business. The Company shall also provide the Franchisee with lists of approved suppliers and sources of supply.

6.3 **Confidential Operating Manual.**

A. The Company shall provide access to Company's Confidential Operating Manual (together with all supplements to or revisions of, herein the "Manual") for use during the Term. The online Manual is provided on the Company's intranet website. All periodic modifications to the Manual are made to the online copy only, and Franchisee agrees to view the website monthly for modifications. The Company will send electronic notice of modifications. Franchisee agrees that the Manual and any updates to the Manual are part of this Agreement as if fully set forth within its text. Franchisee acknowledges that Company's periodic modification of the Manual (including, without limitation, changes to the hardware and software required for the Company's technology system), which may accommodate regional and/or local variations, may obligate Franchisee to invest additional capital in the Business Location and/or incur higher operating costs.

B. Except in such instances where the provisions of the Manual directly conflicts with the terms of this Agreement, the Franchisee shall conduct the operation of the Franchisee's Business in compliance with the Company's operational systems, standards, procedures, methods and requirements as prescribed from time to time in the Manual.

C. The Manual contains specifications, standards, operating procedures and rules prescribed from time to time by the Company for the Business and information relative to other obligations of the Franchisee hereunder and the operation of the Franchisee's Business.

D. The Manual contains proprietary information of the Company and shall be kept confidential by the Franchisee both during the Term and subsequent to the expiration or termination of the Franchise. The Franchisee shall not duplicate or cause the Manual to be duplicated or used for any purpose other than the operation of the Franchisee's Business at the Business Location in accordance with this Agreement. The Company will update the Manual on the Company's website and the master copy of the Manual will be the same as the Manual being posted on the website that is available to Franchisees.

6.4 **Company's Site Approval.** The Franchisee is responsible for purchasing or leasing a suitable site for the Franchisee's Business. Prior to the acquisition by lease or purchase of any such site, the Franchisee shall submit a description of the proposed site and other requested information to the Company together with a letter of intent or other evidence satisfactory to the Company that confirms the Franchisee's favorable prospects for obtaining the proposed site. The Company will provide the Franchisee with written notice of approval or disapproval of the proposed site within thirty (30) days after receiving the Franchisee's written proposal. The Company's approval of the site is subject to the provisions of Section 7.1 of this Agreement. The Company's approval will not be unreasonably withheld. The Company will provide the Franchisee with a written explanation in the event it disapproves a site.

6.5 **Company Approval of Business Location.** If the Business Location has been completed in accordance with the Company's requirements and the Designated Manager has satisfactorily completed the Company's Initial Training Program, then the Company shall approve the Business Location for opening.

Post Opening

6.6 **On-Site Assistance.** If the Franchisee's Business opened pursuant to this Agreement is the first or second Business Location opened by Franchisee or its affiliates, during the first week that the Franchisee's Business is open for business, the Company shall provide at least one (1) of the Company's representatives at the Business Location for the purpose of facilitating the opening of the Franchisee's Business. The number of days of this on-site assistance and the designation of the person(s) on-site will be at the Company's discretion. On-site assistance for additional Business Locations will be provided as the Company deems appropriate to the circumstances. During this period such representative(s) will assist the Franchisee in establishing and standardizing procedures and techniques essential to the operation of the Franchisee's Business and shall assist Franchisee in training its personnel. If the Franchisee requests additional assistance from the Company in order to facilitate the opening of the Franchisee's Business, and if the Company deems it necessary and appropriate, the Franchisee shall pay the Company its customary fees (currently One Thousand (\$1,000) Dollars) per day for such services and reimburse the Company for out-of-pocket expenses incurred by the Company in providing such additional assistance.

6.7 **Grand Opening.** In addition to the initial assistance provided to the Franchisee, the Company may, during the first three (3) months of operation of the Franchisee's Business, provide the Franchisee with guidance in marketing and promotions in connection with the Grand Opening.

6.8 **Additional Training.** The Company from time to time requires that previously trained and experienced franchisees, their Designated Manager, or other managers or employees attend and successfully complete additional training programs to be conducted at the Company's principal offices or other location chosen by the Company. Franchisee shall pay for all its and its employees' travel and lodging expenses. The Franchisee and/or the Franchisee's employee(s) shall attend such programs or seminars at the Franchisee's expense. In those instances where the Company determines, in its sole discretion, that the quality of the Franchisee's work or the work of its employees is not in accordance with the quality standards acceptable to the Company for the System, the Company shall have the right to require that the Franchisee, and/or such of the Franchisee's employees that fail to meet such quality standards, undergo a retraining program at the Company's training facility to correct any identified deficiencies.

6.9 **Guidance.** During the operation of the Franchisee's business the Company will:

A. Inspect the Franchisee's Business as often as the Company deems necessary;

B. Make its staff available at its principal offices for consultation and guidance of the Franchisee in the operation and management of the Franchisee's Business.

C. Make available to the Franchisee, from time to time, all changes, improvements, and additions to the System to the same extent as made available to other franchisees of the System and Marks;

D. Provide the Franchisee with all supplements and modifications to the Manual;

E. Provide, from time to time, consultation and guidance in advertising and marketing;

F. Provide the Franchisee with forms to be used by the Franchisee to report to the Company all information required by the Company;

6.10 **Operating Assistance-Inspections.** The Company shall have the right to enter and inspect the Business Location at all reasonable times to observe the manner in which the Franchisee is operating the Franchisee's Business, to confer with the Franchisee's employees, vendors, suppliers, and customers and to ascertain that the operations of the Franchisee's Business comply with the performance standards established by the Company for the System. Franchisee acknowledges and agrees that, pursuant to its inspection rights under this Article 6.10 of this Agreement, Company may inspect all vehicles for sale at the Business Location and otherwise inspect Franchisee's business procedures. The Franchisee will cooperate with the Company and will promptly undertake to correct any deficiencies brought to the Franchisee's attention. The Franchisee will reimburse the Company for reasonable costs and expenses the Company may incur in correcting deficiencies that the Franchisee, after written notice, fails to correct.

6.11 **Annual Meetings.** The Company, in its discretion, will hold three meetings each year, and the Franchisee or representative must attend. The Company will notify Franchisee

of the dates and locations of these meetings, and Franchisee will be responsible for its own transportation and lodging and prorated expenses that are associated with attending these meetings. The Company reserves the right to refuse or place additional conditions on attendance at these meetings by anyone other than Franchisee and to increase or decrease the number of meetings. Franchisee may send qualified representatives to such meetings.

ARTICLE VII

OPENING AND OPERATION OF THE BUSINESS

7.1 **Business Location.** The Franchisee shall operate the Franchisee's Business only at the Business Location. If the Business Location is identified on Exhibit A, it has been approved by the Company, and Franchisee acknowledges and agrees that the Company has performed all of its obligations under this Agreement with respect to site selection or approval. If the Business Location is not identified on Exhibit A, the Franchisee shall bear the entire responsibility of finding, and shall use its best efforts to find, a site acceptable to the Company utilizing its own resources, skills and know-how, and following any requirements set forth by the Company. The selection of the Business Location shall be subject to the prior written approval of the Company whose reasonable determination in this regard shall be final.

As a condition precedent to approving any location proposed by the Franchisee, the Company may require the Franchisee to submit site analyses, maps, completed check lists, photographs, digital or video motion pictures of the site and surrounding areas, copies of proposed leases, diagrams of the Business Location with measurements, a letter of intent or other evidence of the Franchisee's favorable prospects of obtaining the proposed location, and such further information and materials as the Company may reasonably require to evaluate the Franchisee's proposed location.

The Franchisee expressly understands that the opening of the Franchisee's Business within one (1) year following the execution of this Agreement is of the essence of this Agreement; provided, however, if in the Company's sole judgment, Franchisee has diligently pursued opening of the Franchisee's Business but failed through no fault of its own, then Franchisee may request an extension of up to six (6) months and the Company shall not unreasonably withhold consent to such request.

The Franchisee acknowledges and agrees that the Company's engaging in such site selection activities, the Company's suggestions, the exercise of its rights of approval provided herein, or the exercise of its right to lease said Business Location and sublease the same to the Franchisee and to derive profit therefrom, shall not give rise to any liability of the Company with regard to the viability of any location(s) selected, proposed or approved by the Company, nor shall the same be construed as any express or implied representation, warranty or guarantee by the Company of the suitability for or viability, prospects or profitability of any such location for a Business.

7.2 **Construction of Business Location.**

A. The Franchisee agrees that promptly after securing the Business Location, it will: (i) cause to be prepared and submitted for approval by the Company, a site survey and any modifications to the Company's basic plans and specifications for a Business Location (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating) for sales, finance, and service departments required for the development of a Business Location at the site leased or purchased therefore. The Franchisee may modify the Company's basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes, and permit requirements, and with prior notification to and approval by the Company, not to be unreasonably withheld; (ii) obtain all required zoning changes; all required building, utility, health, sanitation, and signed permits and licenses, and any other required permits and licenses; (iii) purchase or lease and install all equipment, fixtures, furniture, and signs required by the Company; (iv) complete the decorating of the Franchisee's Business in full and strict compliance with the plans and specifications therefor approved by the Company and all applicable ordinances, building codes, and permit requirements; (v) obtain all customary contractors sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services; and (vi) otherwise complete the development of and have the Franchisee's Business ready to open and commence the conduct of its business as required.

B. The Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with this Article VII and the Company shall have no responsibility for such acts or omissions. The Company shall not be liable for any loss or damage arising from the plans or specifications for the Business Location by reason of its approval of plans and specifications, or otherwise.

7.3 **Location Lease or Purchase Agreement.** Upon the written approval of the proposed Business Location, the Franchisee shall execute a lease (if the Business Location is to be leased) or a binding agreement to purchase the site, the terms of which shall have been previously submitted to the Company for approval. The Company's approval of the lease will be conditioned upon, among other things, execution by Franchisee and the landlord the form of lease addendum attached as Exhibit F hereto. If the landlord is an affiliate of Franchisee, Franchisee must cause the landlord to execute the affiliated entity joinder attached as Exhibit G hereto. The Company's review of and consent to the lease are limited to those provisions and items that the Company believes are necessary and appropriate solely for its own purposes and its own benefit as the licensor of the Marks and the System. The Franchisee has been advised to obtain the advice of its own professional advisors before the Franchisee signs or makes any adjustments to the lease to accommodate its operation of the Franchisee's Business. In the event Franchisee or its affiliate owns the approved Business Location, Franchisee agrees that upon termination of this Agreement by Company due to Franchisee's breach or termination by Franchisee without cause prior to the scheduled expiration according to 5.1 herein, Franchisee or its affiliate will, at Company's election, lease the Business Location to Company or its affiliate at market rent for a term of two (2) years.

7.4 **Opening for Franchisee's Business.** The Franchisee shall give the Company at least sixty (60) days prior written notice of the opening of the Franchisee's Business ("Notice of Opening"). If such notice is not given, the Company shall be relieved of its obligation

to provide the assistance in connection with the opening of the Franchisee's Business (provided in Section 6.6 hereof). The Franchisee shall not open the Franchisee's Business until the Company reasonably determines that the construction of and other preparation of the Business Location have been completed in accordance with this Agreement and that the Franchisee's Designated Manager has completed the Company's Initial Training Program. Within three (3) months after opening for business the Franchisee shall prepare and submit for the Company's prior approval a Grand Opening advertising and promotion program for the Franchisee's Business and shall, at the Franchisee's expense, implement such program during the Grand Opening.

7.5 **Maintain Standards, Upgrades.** In order to protect the System and to maintain the uniform standards of operation under the franchise granted herein, the Franchisee shall operate the Franchisee's Business at all times in strict compliance with the requirements of this Agreement and the Manual. Franchisee shall have control over the day-to-day operations of the Franchisee's Business. Franchisee must at all times maintain the Business Location in a high quality of repair appearance, condition and sanitation, and must make any additions, alterations, repairs and replacements for that purpose ("Ongoing Maintenance"). Upon the Company's request, Franchisee must improve and modify the Business Location to meet the Company's then current standards ("Facility Updates"). The maximum amount of any such Facility Updates will not exceed \$150,000 ("Update Cap") during any ten (10) year period, except that the costs of Ongoing Maintenance and sign replacements shall not be included in the Update Cap. All costs of maintaining and upgrading are borne by the Franchisee. The Company will not require exterior signage changes more than once during the initial term of this Agreement.

7.6 **Use of Business Location.** The Business Location shall be used solely for the purpose of conducting a Business unless another use is specifically approved in writing by the Company.

7.7 **Approved Suppliers.** The Franchisee will purchase, from either the Company, or vendors and suppliers approved by the Company, all equipment, supplies, and other products and services which the Company determines meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Business, as set forth in the Manual. The Company reserves the right to approve a single supplier for any item and such supplier may be the Company and/or its affiliates. If the Franchisee desires to purchase any products or services from any other source, the Franchisee shall submit samples and specifications to the Company for testing to determine whether the products or services comply with the Company's standards and specifications. The prior written approval of the Company must be obtained by the Franchisee prior to the time that any unapproved products or services are used or sold by the Franchisee. The Company shall notify the Franchisee, within thirty (30) days of receipt of the Franchisee's request, of its rejection of the proposed vendor or supplier and the reason therefor. The failure to so notify the Franchisee shall constitute approval by the Company.

7.8 **Compliance with Laws.** The Franchisee shall, at its expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Franchisee's Business and shall operate the Franchisee's Business in strict compliance with all applicable local, state and federal laws, rules and regulations, including, but not limited to, used-vehicle sales laws, Truth-in-Lending laws, Equal Credit Opportunity laws, employment laws, and

also including full legal compliance of all customer vehicle sale and finance transaction documents. The Franchisee agrees to diligently pursue resolution of any action, suit, proceeding, investigation or inquiry, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchisee's Business. The Franchisee agrees to refrain from any merchandising, advertising or promotional practice that is unethical or may be injurious to the business of the Company, other Businesses or to the goodwill associated with the Marks.

7.9 **Payment of Liabilities and Taxes.** The Franchisee shall pay, when due, all of its obligations, liabilities and taxes to the Company, suppliers, lessors, creditors and taxing authorities. The Franchisee's failure to comply with this provision shall be deemed a material breach of this Agreement.

7.10 **Standardization.** The Franchisee will require its employees to wear such uniforms as may be designated by the Company and will comply with such programs of standardization as may from time to time be promulgated by the Company to promote the common business image and to protect the goodwill associated with the Business.

7.11 **Management.** The Franchisee's Business shall be at all times under the direct, on-location supervision of the Franchisee or the Designated Manager. If the Franchisee operates more than one franchise, or in the event the Franchisee does not devote full-time to conducting the Franchisee's Business, at least the Designated Manager, shall be appointed by Franchisee to act as a full-time manager at each Business Location. The Franchisee shall at all times faithfully, honestly and diligently perform the obligations hereunder, use its best efforts to promote and enhance the Franchisee's Business, and shall not engage in any business or other activity that will conflict with the Franchisee's obligations hereunder.

7.12 **Employee Training.** The Franchisee or Designated Manager is responsible for the requirement that all employees are properly trained in accordance with the functions identified and designed in the Manual and training guides/certification paths available on Company's designated learning management system.

7.13 **Unauthorized Activities.** The Franchisee shall not install or maintain on the Business Location any telephone booths, newspaper racks, video games, juke boxes, games, rides, or other similar devices, or undertake any business activity other than the Franchisee's Business, without the prior written approval of the Company.

7.14 **Notice to the Company.** The Franchisee shall notify the Company in writing within ten (10) business days of the commencement of any action, suit, proceeding, investigation or inquiry, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality or receipt of written complaints from any customer or potential customer that may adversely affect the operation or financial condition of the Franchisee's Business. If the Company believes the Franchisee is not adequately responding to or handling any event listed above, the Company reserves the right to require the Franchisee to resolve the matter in a prompt and reasonable manner in accordance with good business practices.

7.15 **Modifications to the System.** The Franchisee understands that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the System may change in order that it best serve the interest of the Company, the Franchisee and the System. Accordingly, the Franchisee agrees that the Company may from time to time A) change the components of the System, including, but not limited to, altering the programs, services, methods, standards, equipment, decorations, policies and procedures of the System; B) add to, delete from, or modify those programs and services which the Business is authorized to offer; and C) change, improve or modify the Marks. The Franchisee agrees to make any such modifications, changes, additions, deletions and alterations, promptly, and at the franchisee's expense.

7.16 **Confidential Information.**

A. The Franchisee acknowledges that its entire knowledge of the Confidential Information is derived from information disclosed to the Franchisee by the Company and that certain of such information is proprietary, confidential, unique, special, and a trade secret of the Company. The Franchisee and its owners agree that they will maintain the absolute confidentiality of all such Confidential Information during and after the Term and that they will not use any such Confidential Information in any other business or in any manner unless specifically authorized or approved in writing by the Company.

B. The Franchisee shall divulge such Confidential Information only to such of its employees and agents as must have access to it in order to operate the Franchisee's Business in accordance with this Agreement, including Franchisee's accountants, bankers and potential investors who sign a confidentiality agreement. The Franchisee may also divulge such Confidential Information to a governmental authority in the event Franchisee becomes legally compelled or is required by regulatory authorities having appropriate jurisdiction to disclose such Confidential Information, provided that the Franchisee will promptly provide the Company with written notice so that the Company may seek, at its expense, a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. Any and all information, knowledge, and know-how including, without limitation, materials, technology systems, techniques, and other data, which the Company designates as confidential shall be deemed confidential for purposes of this Agreement, except information which the Franchisee can demonstrate came to its attention prior to the disclosure thereof by the Company or which, at the time of disclosure by the Company to the Franchisee, had become a part of the public domain through publication or communication by others without Franchisee's fault or involvement; or which after disclosure to the Franchisee by the Company, becomes a part of the public domain through publication or communication by others without Franchisee's fault or involvement.

C. Due to the special and unique nature of the proprietary and Confidential Information, the Marks, and the Manual, the Franchisee hereby agrees that the Company shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard any proprietary, confidential, unique and special information of the Company and that money damages alone would be an insufficient remedy with which to compensate the Company for any breach of the terms of Article XVIII and Sections 6.3 and 7.16 hereof. Furthermore, the Franchisee agrees that all employees and agents of the Franchisee having

access to the confidential and proprietary information of the Company shall be required to execute confidential information covenants in a form acceptable to the Company.

7.17 **Service Center Operations.** The Franchisee must operate a Service Center at the Business Location. The Franchisee may only provide repair service for vehicles purchased from Businesses, unless the Company approves in writing for the Franchisee to service the general public. Notwithstanding the foregoing, the Franchisee will not be required to operate a Service Center at the Business Location so long as the Franchisee or its affiliate operates a Service Center at another Business under a franchise agreement with the Company and the Company determines in its sole discretion that such Service Center is located within a reasonable distance to service customers of the Franchisee.

7.18 **Information Security.** The Franchisee must implement all administrative, physical and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, biometric or health data, government-issued identification numbers and credit report information (“Personal Information”) in accordance with applicable law and industry best practices. It is entirely the Franchisee’s responsibility (even if the Company provides the Franchisee with any assistance or guidance in that regard) to confirm that the safeguards the Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal and disclosure of Personal Information. If Franchisee becomes aware of a suspected or actual breach of security or unauthorized access involving Personal Information, the Franchisee will notify the Company immediately and specify the extent to which Personal Information was compromised or disclosed. The Franchisee also agrees to follow the Company’s instructions regarding curative actions and public statements relating to the breach. The Franchisee must comply with the Company’s privacy policy, as it may be amended periodically. The Franchisee further agrees to comply with any requests to return or delete Personal Information, whether requested by the Company or directly by a consumer, as required by applicable data sharing and privacy laws.

ARTICLE VIII

TRADEMARKS

8.1 **Ownership.** The Franchisee acknowledges the validity of the Marks and that they are the sole property of the Company. The Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Franchisee’s Business by the Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company from time to time. Any unauthorized use of the Marks by the Franchisee is a breach of this Agreement and an infringement of the rights of the Company. All usage of the Marks by the Franchisee and any goodwill established by the Franchisee's use of the Marks shall be the exclusive property of the Company.

8.2 **Use.** The Franchisee shall use the Marks only as authorized, directed or approved by the Company. The Franchisee shall not use the Marks as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in

any modified form, nor may the Franchisee use the Marks in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by the Company. The Franchisee shall not use the Marks as part of any domain name, homepage, electronic address, user name, user profile or otherwise in connection with a website (unless approved by the Company), including, without limitation, in connection with any social networking site which references or identifies the Franchisee's Business, Business Location or Franchisee as a part of the System. The Franchisee shall give such notice of trademark and service mark registration as the Company specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. The non-exclusive personal right of the Franchisee to use the Marks in connection with the Franchisee's Business and its right to use the Marks and the System apply only to the Business Location and only so long as the Franchisee shall fully perform and comply with all of the conditions, terms and covenants of this Agreement. If, in the judgment of the Company, the acts of the Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and the System, then the Franchisee shall immediately, upon notice from the Company, modify its use of the Marks and the System in the manner prescribed by the Company. The Franchisee shall not, during or after the Term, do anything directly or indirectly which would infringe upon, harm, mislead or contest the rights of the Company in the Marks or the System.

8.3 **Infringement.** The Franchisee shall immediately notify the Company in writing of any apparent infringement of or challenge to the Franchisee's use of the Marks and of any claim by any person of any rights in the Marks or in any similar trade name, trademark, service mark or logo of which the Franchisee becomes aware. The Franchisee shall not directly or indirectly communicate with any person other than the Company, Company's counsel and its counsel in connection with any such infringement, challenge or claim. The Company shall have sole discretion and exclusive right to take such action as it deems appropriate to control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. The Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of the Company's counsel, be necessary or advisable to protect and maintain the interests of the Company in any such litigation or administrative proceedings, or to otherwise protect and maintain the interest of the Company in the Marks.

8.4 **Substitutions.** If there is a claim by any party that its right to any use of the Marks are superior and if the Company determines that such claim is legally meritorious or if the Company determines, in its sole discretion, that it is advisable for the Company and/or the Franchisee to modify or discontinue the use of any of the Marks, and/or use one or more additional or substitute Marks then, upon notice from the Company, the Franchisee, at its expense, will immediately make such changes and amendments to the Marks and all materials on which the Marks are displayed as may be required by the Company.

ARTICLE IX

FEES

9.1 **Initial Franchise Fee.** The Franchisee shall pay to the Company the Initial Franchise Fee of Sixty Thousand (\$60,000.00) Dollars upon the execution of this Agreement. The

Initial Franchise Fee shall be refundable only in the event the Company receives written notice from Franchisee of its desire to rescind the Agreement. This notice of rescission must be received by the Company within 60 days after the Agreement has been executed. In all other cases, the fee is nonrefundable.

9.2 **Royalty and Advertising Fee.** In addition to the Initial Franchise Fee, the Franchisee shall pay the Royalty Fee defined in Section 3.10 to the Company, and Advertising Fee defined in Article X to J.D. Byrider Advertising Group, Inc., without offset, credit, or deduction of any kind, in the manner set forth in Section 9.3 or otherwise prescribed in the Manual from time to time. In the event of a natural disaster (such as a flood, fire, or tornado) or some other unusual occurrence that prevents Franchisee from operating the Franchisee's Business, the Company will consider various forms of relief on a case-by-case basis in its sole discretion.

9.3 **Payment.**

A. The Franchisee shall pay all invoices from the Company, J.D. Byrider Advertising Group, Inc., and all other vendors when due.

B. All Royalties, Advertising Fees and other amounts that the Franchisee owes to the Company or its affiliates shall bear interest after the due date at the highest legal rate for open account business credit. The Franchisee acknowledges that this paragraph shall not constitute an agreement by the Company or its affiliates to accept such payments after the same are due or a commitment by the Company to extend credit to or otherwise finance the Franchisee's operations of the Franchisee's Business. Acceptance by the Company of any payment by the Franchisee in an amount less than the full amount due shall not constitute acceptance as payment in full and shall not constitute a waiver of any amounts remaining due to the Company. Further, the Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement as provided herein notwithstanding the provisions of this paragraph.

C. Notwithstanding any designation by the Franchisee, the Company shall have the sole discretion to apply any payments by the Franchisee to any past due indebtedness of the Franchisee for Royalty Fees, Advertising Fees, purchases from the Company, interest or any other indebtedness of the Franchisee. If the Company shall apply any payment by the Franchisee in a manner different from the application intended by the Franchisee, the Company shall give Franchisee written notice of how such payment was applied.

9.4 **Technology System Fees.** Concurrently with the execution of this Agreement, Franchisee has executed the Byrider Software Services and User Agreement which is attached hereto as Exhibit D (the "Software Agreement"). The Company's technology system is made up of four components: 1) Byrider Proprietary Software, 2) off-the-shelf software, 3) hardware, and 4) dealer management system with integrated mandatory Customer Relations Management provided at no additional cost to Franchisee. The Customer Relations Management assists with Agency and Direct Consumer Complaints. When Franchisee's franchised location receives an Agency Complaint (such as Better Business Bureau, Attorney General, Consumer Financial Protection Bureau, Media, or Private Attorney), Franchisee must investigate the complaint, forward the complaint to the Company's Customer Service, and timely respond to the Agency; when Franchisee's franchised location receives a Direct Consumer Complaint (i.e.,

Customer Service phone/email), Franchisee will investigate the complaint, resolve it directly, and timely report the results to Customer Service detailing the resolution or action taken. The Company's Compliance Department administers the Customer Service mailbox and phone line and tracks the complaints and responses. Franchisee is responsible for investigating, taking corrective action, and resolving these complaints. Franchisee must license and use the Byrider technology system necessary to operate day-to-day business. Franchisee must pay the cost of the technology system to the appropriate vendor as shown on Exhibit D, Appendix B, upon receiving invoices. Exhibit D, Appendix A, identifies the items that are typically required per franchised location. The Company may at times allow for substitution of items in Appendix A at the request of Franchisee if a substitution will not materially impact the Company's delivery of services or support but is under no obligation to do so.

9.5 **Reputation Management Fee.** Franchisee is required to pay to the Company for reputation management texts performed by the Company or its designee.

ARTICLE X

ADVERTISING AND PROMOTION

10.1 **Advertising Fee.** Franchisee shall contribute \$2,450.00 for each Business Location each month to J.D. Byrider Advertising Group, Inc. (the "Ad Group") for service that includes Gojdb cost, Email (automations/ad hoc and reporting), text (marketing automations and basic reporting, including CRM texting and ad hocs when complete), social (Facebook posting management and reporting), and Yext local management support, subject to the continued availability of such service. At the Ad Group's sole discretion, the Ad Group may increase the monthly contribution, provided that the increase(s) will not exceed \$400.00 in the aggregate during any twenty-four (24)-month period. All amounts received by the Ad Group will become the exclusive property of the Ad Group. The Ad Group will hold such amounts for the benefit of the Company and all Franchisees and will be expended exclusively for the promotion and advertising of the business of the Company and all franchisees of the System and Marks, consistent with this Agreement, in such manner and amounts as determined by the Board of Directors of the Ad Group, acting in its sole discretion, but within the limitations stated above. The advertising and promotional expenditures which may be made by the Ad Group include any costs of maintaining, administering, directing and preparing promotional materials, advertising and similar public relations activities for use in television, radio, billboards, magazines, newspapers and any other medium, such costs to include fees for advertising agencies and consultants and reasonable fees for any management or administrative services rendered by the Company to the Ad Group in connection with the undertakings by the Ad Group.

Upon request by the Company, Franchisee shall also join one or more Company-approved local advertising co-ops and make contributions to such co-ops as required under the co-op's bylaws. Franchisee shall spend at least 2% of its Gross Sales (Byrider Vehicle Sales) on co-op or local advertising, including electronic media (the "Local Advertising Requirement"). Company may increase the Local Advertising Requirement to 3% of Franchisee's Gross Sales (Byrider Vehicle Sales), subject to the Advertising Spend Cap (see Section 10.2 below). Advertising fees must be paid in the above-described amounts for each Business Location.

All advertising and promotional activities undertaken by Franchisee individually in accordance with the foregoing requirements must be acceptable to the Ad Group. The Franchisee must submit all advertising and promotional materials for Ad Group approval prior to publication, and Franchisee is prohibited from publishing or utilizing any advertising or promotional materials not approved by the Ad Group. Further, Franchisee may not alter approved advertisements and promotional materials except to fill in local identification information. The Ad Group retains all ownership rights and title to all advertising and promotional materials.

10.2 **National Advertising Fund.** Franchisee acknowledges that, in addition to the undertakings described in Section 10.1 above, the Company or its affiliate may establish a National Advertising Fund for the purpose of purchasing electronic and print media advertising for national distribution. When and if the Company or its affiliate creates this fund, Franchisee shall contribute to the fund as required by the Company or its affiliate. However, Franchisee's contributions to any National Advertising Fund (if established) and Franchisee's Local Advertising Requirement will not collectively exceed 4% of Franchisee's Gross Sales (Byrider Vehicle Sales) (the "Advertising Spend Cap"). Franchisee's required payment of the Advertising Fees to the Ad Group is excluded from the Advertising Spend Cap.

ARTICLE XI

RELATIONSHIP OF PARTIES/INDEMNIFICATION

11.1 **Relationship of the Parties.** This Agreement does not create a fiduciary relationship between the parties. The Franchisee understands and agrees that, under this Agreement, the Franchisee is and shall be an independent contractor. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose.

THE FRANCHISEE SHALL CONSPICUOUSLY IDENTIFY ITSELF AND THE BUSINESS, AND IN ALL DEALING WITH CUSTOMERS, SUPPLIERS, PUBLIC OFFICIALS, AND OTHERS, AS AN INDEPENDENT FRANCHISEE OF THE COMPANY, AND SHALL PLACE SUCH NOTICE OF INDEPENDENT OWNERSHIP ON ALL FORMS, BUSINESS CARDS, STATIONERY, ADVERTISING, SIGNS AND OTHER MATERIALS AND IN SUCH FASHION AS THE COMPANY, IN ITS SOLE DISCRETION, SPECIFIES AND REQUIRES FROM TIME TO TIME, IN ITS MANUAL (AS THE SAME MAY BE AMENDED FROM TIME TO TIME), OR OTHERWISE.

11.2 **No Liability for Acts of the Other.** Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between the Company and the Franchisee is other than that of franchisor and franchisee. The Company does not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by the Franchisee, nor will the Company be obligated for any damages to any person or property that directly or indirectly arise from or relate to the operation of the Franchisee's Business. The Company shall not have the power to hire or fire the Franchisee's employees and, except as herein expressly provided, the Company may not control or have access to the Franchisee's funds or the expenditure thereof, or

in any other way exercise dominion or control over the Franchisee's Business. The Company shall not be obligated for any damages to any person or party, directly or indirectly, arising out of the operation of the Franchisee's Business whether caused by the Franchisee's negligent or willful action or failure to act. It is expressly understood and agreed that neither the Franchisee nor any employee of the Franchisee whose compensation for services is paid by the Franchisee may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of the Company for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. The Company shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchisee, the Franchisee's Business, or the Franchisee's property, or upon the Company, in connection with sales made or business conducted by the Franchisee or payments to the Company pursuant hereto.

11.3 **Indemnification.**

A. Franchisee shall indemnify and hold harmless the Company, its subsidiaries and affiliates, and their respective officers, directors, shareholders, agents and employees, from and against any and all losses, expenses, judgments, claims, reasonable attorneys' fees, and damages arising out of or in connection with any claim arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Franchisee's Business. Franchisee shall promptly notify the Company of any suits filed by or against Franchisee in connection with the operation of the Franchisee's Business and, upon request, shall furnish the Company with copies of such documents from the suit as the Company may request.

B. The Company shall indemnify and hold the Franchisee harmless from and against any and all claims, and the cost of defending such claims, caused by the gross negligence or willful misconduct of the Company or arising from any mandatory specification, standard or procedure contained in the Manual that is determined to be unlawful, provided that the Franchisee shall have given the Company timely notice of such claim or proceeding and is not in default under this Agreement and, provided further, that the Company shall have the right to participate in and, to the extent the Company deems necessary, to control any such litigation or proceeding.

ARTICLE XII

INSURANCE

12.1 **Required Insurance.** To standardize insurance and to afford the Franchisee, the Company and the Franchisee's customers protection against insurable risks, the Company imposes and prescribes minimum standards and limits for certain types of insurance coverage required to be purchased by the Franchisee.

A. The Franchisee shall purchase at its sole expense and maintain in effect at all times during the Term the greater of the insurance coverage required by the landlord for the Business Location or the following categories of insurance coverage through licensed and admitted insurance companies acceptable to the Company:

- (1) Garage Liability insurance with \$1,000,000 limit per occurrence with products and completed operations coverage included. Coverage must also include \$1,000,000 for Hired Autos and Non-Owned Autos liability. Coverage must also include a Broadened Garage endorsement for Personal and Advertising liability. Franchisee shall insure the Company against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of the actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to the business or the Business Location, provided that the required amounts herein may be modified from time to time by the Company to reflect inflation or further experience with claims;
- (2) State Required Worker's Compensation and Employer's Liability Insurance for the employees of the Franchisee's Business;
- (3) Unemployment Insurance for the employees of the Franchisee's Business;
- (4) Truth-in-Lending Act Insurance not less than \$300,000;
- (5) All risks coverage insurance on the Business Location and all fixtures, equipment, supplies and other property used in the operation of the Franchisee's Business, for full repair and replacement value of the machinery, equipment, improvements and betterments, without any applicable co-insurance clause except that an appropriate deductible of no more than \$50,000 shall be permitted; and
- (6) Cyber Liability Insurance not less than \$1,000,000 per occurrence.

It is recommended but not required that the Franchisee purchase an Umbrella policy in the amount of \$1,000,000 over and above all liability coverage.

It is further recommended that the Franchisee carry vehicle Title Errors and Omissions Coverage, Federal Odometer Coverage, Equal Credit Opportunity Act and Deceptive Sales Practices Coverage in the amount of \$1,000,000.

B. The insurance coverage acquired and maintained by the Franchisee at its own expense, as set forth in subsection (A) of this Section 12.1 shall:

- (1) Name the Company and its designated affiliates as additional insureds;
- (2) Extend to and provide indemnity for all obligations assumed by the Franchisee hereunder and all other items for which the Franchisee is required to indemnify the Company under the provisions of this Agreement;
- (3) Be primary to and non-contributory with respect to any other insurance purchased by the Company;

- (4) Provide, by endorsement, that the Company is entitled to receive at least thirty (30) days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend said policy.

The Franchisee shall not reduce the policy limits, restrict coverage, cancel or otherwise alter or amend said insurance policies without the Company's written consent.

12.2 **The Company's Right to Purchase.** If the Franchisee fails to purchase insurance conforming to the standards and limits prescribed by the Company, the Company may (but is not required to) obtain, through agents and insurance companies of its choosing, the minimum amount of insurance specified in Subsections 12.1.A.(1) through (5). Payments for such insurance shall be borne by the Franchisee and the Franchisee expressly agrees to forthwith pay the required premiums or to reimburse the Company therefor. Nothing contained herein shall be construed or deemed to impose any duty or obligation upon the Company to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of the Franchisee.

12.3 **Disclaimer.** Nothing contained herein shall be construed or considered an undertaking or representation by the Company that such insurance and bondings as may be required to be obtained by the Franchisee, or by the Company for the Franchisee, will insure the Franchisee against any or all insurable risks of loss which may or can arise out of or in connection with the operation of the Franchisee's Business.

12.4 **Proof of Insurance.** The Franchisee shall promptly provide the Company with Certificates of Insurance evidencing such coverage no later than ten (10) days prior to the opening date of the Franchisee's Business. The Franchisee shall deliver a complete copy of the Franchisee's insurance in force within thirty (30) days following the delivery of the Certificates of Insurance. All insurance policies and documents shall be renewed, and upon such renewal, a renewal Certificate of Insurance shall be furnished to the Company prior to the expiration date of the existing term(s) of such policy(ies).

12.5 **Notice of Claims.** The Franchisee shall notify the Company of any and all claims or demands against the Franchisee, the Franchisee's Business, the Business Location, and/or the Company within five (5) business days of any such claim or demand. The Franchisee agrees to respond to all claims within the time required by law, rule or regulation. The Franchisee shall cooperate with the Company (or its designee) to defend the Company and the Franchisee against any and all claims made by employees, customers or third parties. The Franchisee shall, when necessary, make appearances at administrative or other hearings to present or reinforce such defenses.

12.6 **Failure to Insure - Right to Terminate.** Failure by the Franchisee to purchase or maintain any insurance required by this Agreement, or failure to reimburse the Company for its purchase of such insurance on behalf of the Franchisee, shall constitute a material and incurable breach of this Agreement which, unless waived by the Company, shall entitle the Company to terminate this Agreement unilaterally and immediately upon notice to the Franchisee, and this Agreement shall thereafter be null, void and of no effect (except for those post-termination and post-expiration provisions which by their nature shall survive). Notwithstanding the above

provision, Franchisee shall have the right to cure such default within ten (10) days from notification by Franchisee's insurance company that such insurance has lapsed.

12.7 **Minimum Coverages.** The minimum limits of insurance coverage required to be procured by the Franchisee may be modified from time to time by the Company, in its sole discretion, by written notice transmitted by the Company to the Franchisee. Upon delivery (or attempted delivery) of such written notice, the Franchisee shall be obligated to immediately purchase insurance conforming to the newly established standards and limits prescribed by the Company. The Company may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Franchisee must routinely furnish the Company copies of its Certificate of Insurance or other evidence of maintaining this insurance coverage and paying premiums.

ARTICLE XIII

REPORTS, FINANCIAL STATEMENTS, AND AUDIT RIGHTS

13.1 **Books and Records.** The Franchisee shall establish and maintain at the Franchisee's expense a bookkeeping, accounting and record keeping system conforming to the requirements prescribed by the Company from time to time. Franchisee shall utilize the accounting functions of the BYRIDER Computer Software and install and maintain the hardware necessary to allow electronic communication between the Franchisee's technology system and the Company's technology system. Franchisee is prohibited from utilizing the bookkeeping and record system for any other business. With respect to the operation and financial condition of the Franchisee's Business, the Franchisee shall sign, verify and furnish the following reports, financial statements, and returns, to the Company in the form prescribed by the Company:

A. Within one hundred twenty (120) days after the end of the Franchisee's fiscal year, complete financial statements for such fiscal year, and such financial statements shall include **all businesses that operate in conjunction with or in relation to the Business, including ancillary products, reinsurance companies, and real estate companies.** If Franchisee uses a third party accounting firm to review or audit, then those reports prepared by the third party must be furnished. If no third party is engaged, then the statements prepared internally must be furnished. Such annual statements shall be prepared in accordance with generally accepted principles applied on a consistent basis. The Company reserves the right to require that such financial statements be audited by independent Certified Public Accountants at the Franchisee's expense.

B. Within thirty (30) days after receipt by the Franchisee, exact copies of all audits and reports from state and local regulatory agencies; and within thirty (30) days of the filing, exact copies of those portions of Franchisee's federal and state income tax returns that reflect the operations of the Franchisee's Business.

13.2 **Computer Records.** The Franchisee shall keep true, complete and accurate records of each transaction of any activity affecting the Franchisee's Business including, without

limitation, Gross Sales (Byrider Vehicle Sales), purchases, sales and other related data as required from time to time by the Company. The Franchisee shall utilize programmable electronic equipment and other computer hardware and the Company's technology system which is included as an integral part of the System for such activities as may be required by the Company. The Franchisee shall utilize the Company's technology system and systems, as described in the Software Agreement, as are fully compatible with the Company's business systems without the necessity of any alteration by the Company. The Company shall not be obligated to provide Franchisee with access to the Company's technology system or provide services therefor at any time after the termination of the Agreement.

13.3 **Audit of Books and Records.** All records shall be kept for a period of at least three (3) years following the end of each calendar year. The Company may, from time to time, cause one or more complete audits to be made of the affairs and records relating to the operations of the Franchisee's Business. Upon request by the Company, the Franchisee shall make such books, records and information available to the Company or its designated representative at all reasonable times for review and audit by the Company at the Business Location. In the event that an audit by the Company was triggered because of Franchisee's failure to provide the reports required under this Agreement, results in a determination that the Royalty Fee and/or Advertising Fees paid to the Company are deficient (underpaid) by more than 2%, or the Company reasonably concludes that the deficient payment was intentional or grossly negligent by the Franchisee, the Franchisee shall promptly pay to the Company an amount equal to three (3) times the Royalty Fee and/or Advertising Fee shown to be due and all costs and expenses incurred by the Company in conducting such audit, including salaries of the Company's representatives, travel costs, room and board and audit fees. Nothing contained herein shall constitute an agreement by the Company to accept any payments after the same are due or a commitment by the Company to extend credit to or otherwise finance the Franchisee's operation of the Franchisee's Business. The Company agrees that the penalties referred to herein shall not apply to any deficiencies referred to herein for the first occurrence if said occurrence is cured within five (5) business days upon written notice by the Company to the Franchisee.

13.4 **Compliance Audits.** The Company may from time to time perform compliance audits reviewing operations of the Franchisee's Business, such as legal regulatory compliance issues, marketing, and adherence to Byrider, CNAC, and Service Center operational standards ("Compliance Audits" or in the singular "Compliance Audit"). If Franchisee fails a Compliance Audit, in the reasonable judgment of the Company, a failure currently meaning a score of less than 80%, Franchisee shall pay to Company a penalty in the amount of \$500.00 plus reimbursement of travel, food, and lodging for a second consecutive audit. If Franchisee fails the second consecutive Compliance Audit, Franchisee shall pay to Company a penalty in the amount of \$2,500.00 plus reimbursement of travel, food, and lodging for a third consecutive Compliance Audit. If Franchisee fails the third consecutive Compliance Audit, Franchisee shall pay to Company a penalty in the amount of \$10,000.00 and the Company shall have the right to terminate this Agreement pursuant to Section 16.2.

ARTICLE XIV

TRANSFER OF FRANCHISE

14.1 **Assignment by the Company.** The Franchisee acknowledges that the Company maintains a staff to manage and operate the System and that staff members can change as employees come and go. The Franchisee further acknowledges that it did not sign this Agreement in reliance on the continued participation by or employment of any of the Company's shareholders, directors, officers, or employees. The Company shall have the right to change its ownership or form and/or assign or transfer this Agreement, all of its rights, obligations and privileges under this Agreement, and any other agreement to a third party without restriction. After the Company's assignment of this Agreement to a third party who expressly assumes all of the obligations of the Company under this Agreement, the Company will no longer have any performance or other obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to the Company's interest in it.

14.2 **Assignment by Franchisee to a Wholly-Owned Corporation or Limited Liability Company or Other Business Entity.** Notwithstanding anything contained herein to the contrary, including, without limitation, Section 14.3 below, subject to the Company's prior written consent, which will not be unreasonably withheld, if the Franchisee is a natural person and is in full compliance with this Agreement, he may assign and transfer the rights hereunder to a corporation, limited liability company, or other similar business entity (hereinafter, the "Entity") in which the Franchisee (a) is the owner of the controlling ownership interests of the Entity and (b) is the principal executive officer of the Entity, as long as: (i) the Entity owns all of the assets of the Franchisee's Business; (ii) the Entity's activities are confined exclusively to operating the Franchisee's Business; and (iii) the other owners of the Entity's ownership interests would not be in violation of the covenants not to compete set forth in Section 18.1. Such transfer will not be subject to payment of a transfer fee. The Entity must, in a writing satisfactory to the Company, assume all the Franchisee's obligations under this Agreement. No new ownership interests in the Entity shall be issued to any person, trust, foundation, limited liability company, corporation or other business entity without obtaining the Company's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the ownership interest. Franchisee agrees to execute a guaranty in the form Company prescribes undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between the Company and Franchisee.

14.3 **Assignment by Franchisee to Third Party.**

A. The Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to the Franchisee and its owners and that the Company has granted the Franchisee the franchise in reliance upon its perceptions of the Franchisee's and its owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following (each a "Transfer") may be transferred without the Company's prior written approval which will not be unreasonably withheld: (i) this Agreement (or any interest in this Agreement); (ii) the Franchisee's Business (or any right to receive all or a portion of the Franchisee's Business' profits or losses or capital appreciation related to the Franchisee's Business); (iii) the right to occupy the Business Location; (iv) substantially all of the assets of the

Franchisee's Business; (v) any ownership interest in the Franchisee (if the Franchisee is a legal entity); or (vi) any ownership interest in any of the Franchisee's owners (if such owners are legal entities). A transfer of the ownership, possession or control of the Franchisee's Business, or substantially all of its assets, may be made only with a transfer of the franchise granted under this Agreement. Any transfer without the Company's approval is a breach of this Agreement and has no effect.

A "transfer" shall not include a transfer of a deceased owner's ownership interest in Franchisee or Franchisee's owner to an existing owner so long as a new majority owner, if any, signs all documents a majority owner is required to sign under this Agreement.

B. In this Agreement, the term "Transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

(1) merger or consolidation or issuance of additional securities or other forms of ownership interest;

(2) any sale of a security convertible to an ownership interest;

(3) transfer of an interest in the Franchisee or the Franchisee's owners, this Agreement, the Franchisee's Business or substantially all of its assets, or the right to occupy the Business Location in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(4) if the Franchisee, one of the Franchisee's owners or an owner of one of the Franchisee's owners dies (if natural persons), a transfer of an interest in the Franchisee, this Agreement, the Franchisee's Business or substantially all of its assets, the right to occupy the Business Location or the Franchisee's owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(5) pledge of this Agreement (to someone other than the Company) or an ownership interest in the Company or its owners as security, foreclosure upon the Franchisee's Business, or the Franchisee's transfer, surrender, or loss of the possession, control, or management of the Franchisee's Business; provided that Franchisee may pledge the assets of the Franchisee's Business to a lender in connection with obtaining financing for the Franchisee's Business.

C. If the Franchisee and its owners are in full compliance with this Agreement, then, subject to the provisions of this Section 14, the Company will approve a transfer that meets all of the requirements of this Section 14.3.C. A non-controlling (less than 50%) ownership interest in the Franchisee (or its owners), as determined as of the date on which the proposed transfer will occur, may be transferred if the proposed transferee and its direct and indirect owners (if the transferee is a legal entity) are of good character and meet the Company's then applicable standards for franchisees. All proposed transferees must fill out and submit to the Company its then current form of franchise application. If the proposed transfer is of this Agreement, the Franchisee's Business or a controlling ownership interest in the Franchisee or one of its owners, or is one of a series of transfers (regardless of time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in the

Franchisee (or one of its owners) (each, a "Control Assignment"), then all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) The purchaser, transferee, lessee or assignee (the "Assignee") (or the principal officers, shareholders, members, or directors of the Assignee in the case where the Assignee is a legal entity) has the aptitude, skills, qualifications, credit and financial resources necessary, in the Company's judgment, to conduct the Franchisee's Business and to fulfill the Assignee's obligations to the Company;

(2) As of the date of any such Control Assignment, the Franchisee shall have fully complied with all its obligations hereunder or under any other agreement with the Company, including, without limitation, (i) paying all monetary obligations owed to the Company, its affiliates, and any third party vendors, (ii) submitting all required reports and statements, and (iii) complying with all provisions of this Agreement or any other agreement with the Company or its affiliates during both the sixty (60) day period before the Franchisee requested the Company's consent and the period between the Franchisee's request for consent and the effective date of the Assignment;

(3) Neither the Assignee nor its owners (if the Assignee is a legal entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business (defined in Section 18.1);

(4) The Business Location's landlord, if any, allows the Franchisee to transfer the Business Location's lease to Assignee, Assignee assumes all of the obligations of the Franchisee under the lease for the Business Location and the Franchisee is not in default with respect to any of its obligations under said lease;

(5) Unless the Assignee is an immediate family member of Franchisee (or the transferring owner), the Assignee executes the Company's then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided that the Assignee shall not be obligated to pay an Initial Franchise Fee; provided further that the term of the new franchise agreement shall expire on the date provided in such new franchise agreement;

(6) The Franchisee and its owners execute and deliver to the Company a general release of all claims against the Company, its shareholders, officers, directors, employees, and agents;

(7) The Assignee, or Designated Manager designated by the Assignee, shall have satisfactorily completed the Initial Training Program then required of all new franchisees of the Company, and paid the then-current training fee being charged by the Company in connection with all such transfers, unless such training is waived by the Company, in writing, because of the Assignee's prior experience or training;

(8) All individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in a form the Company prescribes;

(9) The Company has determined that the purchase price and payment terms will not adversely affect the Assignee's operation of the Franchisee's Business;

(10) If the Franchisee or any of its owners finance any part of the purchase price, the Franchisee and/or its owners agree that all of the Assignee's obligations under promissory notes, agreements or security interests reserved in the Franchisee's Business are subordinate to the Assignee's obligations to pay any amounts due to the Company, its affiliates, and third-party vendors and otherwise to comply with this Agreement;

(11) (a) Franchisee has corrected any existing deficiencies of the Business Location of which the Company has notified Franchisee on a punch list or in other communications, and/or (b) the Assignee agrees (if the Control Assignment is of this Agreement) to upgrade, remodel, and refurbish the Business Location in accordance with the Company's then-current requirements and specifications for Businesses within the time period the Company specifies following the effective date of the Control Assignment; provided the Company will advise the Assignee before the effective date of the Control Assignment of the specific actions that it must take and the time period within which such actions must be taken;

(12) The Franchisee shall provide the Company with such information as the Company shall require to make such evaluations of the proposed Assignee as it shall deem necessary to satisfy its requirements;

(13) The Franchisee has first offered to sell, transfer, lease or assign this Agreement and the Franchisee's Business to the Company in accordance with Article XV; unless the Assignee is an immediate family member of Franchisee (or an approved existing owner of the franchise);

(14) The Franchisee and its transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Businesses the Franchisee owns and operates) identify itself or themselves or any business as a current or former Business or as one of the Company's franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Business in any manner or for any purpose; utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with the Company;

(15) Any advertisement for the sale of the Franchisee's rights hereunder shall make clear that the Franchisee and not the Company is the offeror;

(16) The Franchisee shall pay the Transfer Fee to the Company; unless the Assignee is an existing owner of Franchisee or an immediate family member of Franchisee (or one of its owners); and

(17) The Franchisee and its transferring owners comply with the covenants under Sections 18.1 and 18.2.

The Franchisee acknowledges and agrees that the Company may review all information regarding the Franchisee's Business that the Franchisee gives the Assignee, correct any information that the Company believes to be inaccurate, and give the Assignee copies of any

reports that the Franchisee has given the Company or the Company has made regarding the Franchisee's Business.

14.4 **Death or Incapacity of the Franchisee.**

A. In the event of the death or incapacity of the Franchisee (if it is a natural person) or the death or incapacity of Franchisee's principal owner (if Franchisee is a legal entity), the Franchisee's or such principal owner's heirs, personal representatives, executors, guardians, administrators or conservators, as applicable, shall, within one hundred eighty (180) days following such death or incapacity, complete the transfer of the Franchisee's interest in this Agreement, the Franchisee's Business and Business Location or, as applicable, of the principal owner's interest in Franchisee, to a person or entity approved by the Company. The person to whom such interests are proposed to be transferred must meet the Company's standards for new franchisees, agree to execute the then-current form of franchise agreement, and, within ninety (90) days after the death or legal incapacity of the Franchisee (or the death or legal incapacity of the principal owner of the Franchisee if the Franchisee is a legal entity), shall have satisfactorily completed the Company's then current Initial Training Program; provided that the transferee will not be required to execute the then-current form of franchise agreement if the transferee is an immediate family member of Franchisee (or the deceased owner if Franchisee is an entity). If at the time of such death or legal incapacity the Franchisee has employed a manager who has satisfactorily completed such training program, such manager shall be deemed to have satisfied such training requirements. The term "**incapacity**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Franchisee or its principal owner from supervising the management and operation of the Franchisee's Business. In the event the transferee is an immediate family member of Franchisee (or the deceased owner if Franchisee is an entity), then no Transfer Fee shall be due to the Company.

14.5 **Effect of Consent to Transfer.** The Company's consent to an Assignment of this Agreement, the Franchisee's Business, the right to occupy the Business Location, or any interest in Franchisee or its owners, is not a representation of the fairness of the terms of any contract between the Franchisee and the Assignee, a guarantee of the prospects of success of the Franchisee's Business or the Assignee, or a waiver of any claims the Company has against the Franchisee (or its owners) or of the Company's right to demand the Assignee's full compliance with this Agreement.

14.6 **No Encumbrance.** Neither Franchisee nor its owners shall have the right to pledge, encumber, hypothecate, or otherwise give any third party a security interest in (i) the ownership interests of Franchisee or its owners, as applicable, or (ii) this Agreement, in any manner whatsoever, unless (a) the Company provides its prior written consent, which consent may be withheld for any reason whatsoever in the Company's sole judgment and (b) the secured party agrees that its claims will be subordinate to all amounts the Franchisee owes at any time to the Company or its affiliates.

ARTICLE XV

RIGHT OF FIRST REFUSAL

15.1 **Procedure Regarding Right of First Refusal and Assignment.** If the Franchisee (or any of its owners) at any time determine to effectuate a Control Assignment, the Franchisee agrees to obtain from a responsible and fully disclosed buyer, and send to Company a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to the Control Assignment. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price.

15.2 **Right of First Refusal.** Within thirty (30) days after the Company's receipt of the bona fide written offer and all other information the Company requests (the "Review Period"), the Company shall have the right, by written notice to the Franchisee, to cause the Control Assignment to be made to itself or to its nominee upon the terms and conditions contained in the written offer except that the Company shall be allowed to pay the equivalent cash value of any consideration specified in the notice, and Franchisee will be required to grant the customary warranties and representations to the Company. The failure of the Company to deliver such notice within the Review Period shall constitute a waiver of its right of first refusal. In the event the Control Assignment is to Franchisee's (or the transferring owner's) family members, then this Article XV shall not apply.

15.3 **Company Objections/Conditions to Assignment.** If the Company does not exercise its said right of first refusal it shall have the right, but not the obligation, to deliver to the Franchisee, no later than the expiration of the Review Period, written notice of any objection it has, or any conditions it will impose upon, the proposed assignment. The failure of the Company to deliver such notice within the Review Period shall constitute a consent to the proposed assignment but without waiver of any other rights the Company has under this Agreement.

15.4 **Change in Terms/Conditions of Assignment.** If the Company does not exercise its right of first refusal, and does not object to the Control Assignment, the Franchisee shall have the right, for a period of ninety (90) days after the expiration of the Review Period, to effect the Control Assignment to the proposed Assignee upon the terms and conditions specified in the written offer submitted to the Company subject to such conditions as the Company may have reasonably imposed thereon. If the terms of the Control Assignment are materially changed thereafter, such changed terms shall be deemed a new offer and the Company shall again have such right of first refusal with respect to them.

15.5 **Failure of Assignment - New Right of First Refusal.** If the Franchisee fails to effectuate the Control Assignment within ninety (90) days after the expiration of the Review Period, then the proposed Control Assignment shall be deemed a new proposal for Control Assignment with respect to which the Company shall have the right of first refusal.

ARTICLE XVI

DEFAULT & TERMINATION.

16.1 The Company's Right to Terminate Prior to Opening.

A. The Company shall have the right to terminate this Agreement forthwith if:

(1) Prior to the Franchisee's Business opening, the Franchisee shall have failed to satisfactorily complete the Initial Training Program as required herein. The Franchisee acknowledges that because of the Company's skill and knowledge with respect to the training and skill required to manage the Business, its decision whether or not the Franchisee has satisfactorily completed such training may be made by the Company in the good faith exercise of its sole, subjective judgment;

(2) The Franchisee's Business is not opened to the public for business within one (1) year of the execution of this Agreement;

(3) Any financial, personal or other information provided by the Franchisee to the Company in connection with the Franchisee's application for the franchise is materially false, misleading, incomplete or inaccurate.

B. If the Company elects to terminate this Agreement pursuant to this Section, the Company shall notify the Franchisee of its election. If, at the time of such termination, the Franchisee has entered into a binding lease or purchase agreement for the Business Location or has entered into binding purchase orders for the purchase of equipment or fixtures to be installed in the Business Location, the Company shall have the right but not the obligation to require the Franchisee to use its best efforts to assign its rights under the lease, purchase agreements and purchase orders to the Company or its designee. If the Company elects, and such assignments are made, the Company or its designee shall assume all of Franchisee's obligation under such lease, purchase agreements and purchase orders. If the Company exercises its right to terminate pursuant to this Article, this Agreement shall be null, void and of no effect, and neither party shall have any further right or obligation to the other except those obligations which, by their nature, survive such termination.

16.2 The Company's Right to Terminate After Opening.

A. **Grounds for Termination Without Cure Period.** The Company shall have the right to terminate this Agreement immediately if:

(1) The Franchisee (or any of its owners) has made or makes any material misrepresentation or omission in acquiring or operating the Franchisee's Business;

(2) The Company has sent a notice of default under the Software Agreement due to Franchisee's breach of its provisions or under any other franchise agreement for a Business between the Franchisee (or any of its owners or affiliates) and the Company, which default is not timely cured;

(3) The Franchisee (or any of its owners) makes or attempts to make any transfer in violation of Article XIV;

(4) The Franchisee makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; the Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its property; the Franchisee's Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of the Franchisee or the Franchisee's Business is not vacated within thirty (30) days following the order's entry;

(5) The Franchisee's Business or the Business Location is seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against the Franchisee remains unsatisfied for ninety (90) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the licenses granted hereunder or upon any property used in the Franchisee's Business, and is not discharged within thirty (30) days of such levy;

(6) The Franchisee or Designated Manager, directors, officers or majority stockholder are convicted of, or plead guilty or no contest to, a felony or other criminal misconduct which is directly related to the operation of the Franchisee's Business; or

(7) A termination of any other franchise agreement between Franchisee (or any of its affiliates) and Company.

B. Termination After Opportunity to Cure.

(1) The Company shall have the right to terminate this Agreement immediately if the Franchisee fails to pay the Company, the Ad Group (or their affiliates) any amounts due and does not cure the failure within ten (10) business days after written notice of the failure to the Franchisee.

(2) The Company shall have the right to terminate this Agreement immediately if the Franchisee fails to comply with this Agreement in any of the following manners and does not cure the failure within thirty (30) days after written notice of the failure to the Franchisee:

a) The Franchisee voluntarily or otherwise abandons the Franchisee's Business by failing to operate it for a period of three (3) consecutive business days or more during the Term, unless the Franchisee's Business has been closed for a purpose approved by the Company;

b) The Franchisee fails to purchase or maintain the insurance required by this Agreement or fails to reimburse the Company for purchasing of such insurance on the Franchisee's behalf;

c) The Franchisee interferes with the Company's right to inspect the Franchisee's Business or observe its operation, as provided in **Section 6.10** of this Agreement;

d) The Franchisee (or any of its owners) makes any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;

e) The Franchisee's or Franchisee's owner's assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or the Franchisee or any of the Franchisee's owners otherwise violate any such law, ordinance, or regulation;

f) The Franchisee fails to comply with any federal, state or local law, ordinance, or regulation;

g) The Franchisee fails to pay when due any federal or state income, service, sales, or other taxes due on the operation of the Franchisee's Business, unless the Franchisee is in good faith contesting its liability for these taxes;

h) The Franchisee (or its owner) fail to assign this Agreement in accordance with the terms of this Agreement in the event of the Franchisee's (or its owner's) death or disability; or

i) The loss by the Franchisee of the right to occupy the Business Location because of a breach by Franchisee of any material provision of the lease for the Business Location, or otherwise, unless Franchisee has secured an alternative location acceptable to the Company; or

(j) The Franchisee fails to comply with any other provision of this Agreement and does not correct the failure within (30) days after the Company delivers written notice of the failure to the Franchisee.

(k) The Franchisee fails, in the reasonable judgment of the Company, to satisfactorily pass three (3) consecutive Compliance Audits performed by the Company.

C. **Effectiveness of Termination.** Except for termination pursuant to Section 16.2B(1), 16.2A(3) or 16.2A(4), the termination of this Agreement pursuant to Section 16.2A or Section 16.2B shall be automatically effective sixty (60) days after delivery of the notice of termination, provided that a termination for default pursuant to Section 16.2B(1), 16.2A(3) or 16.2A(4), shall be effective ten (10) days after delivery of the notice of termination. The Franchisee acknowledges and agrees that, upon delivery of this notice of termination, Franchisee shall have no additional opportunity to cure the default based upon which the Company terminated this Agreement. The Franchisee further acknowledges and agrees that the sixty (60) day (or ten (10) day period if terminated pursuant to Section 16.2B(1) or pursuant to 16.2A(4)) (referred to herein as the "Wind Down Period") shall be used by Franchisee for the sole purpose of winding down the Franchisee's Business and, during such period, the Franchisee must continue to operate the Franchisee's Business pursuant to the terms of this Agreement. In the event the Franchisee engages in any conduct during this period which, in the reasonable opinion of the Company, impairs the goodwill and reputation of the Company, the Marks and/or the System, the Company has the right to eliminate any or all of the wind down period and effectuate the termination immediately upon written notice to Franchisee.

Notwithstanding anything contained in Section 17.1 to the contrary, the Franchisee acknowledges and agrees that it shall use the Wind Down Period to perform its obligations under Section 17.1 and that within ten (10) days of the effectiveness of the termination, the Franchisee shall provide the Company with evidence that the Franchisee has complied with all of those obligations.

16.3 **Franchisee's Rights to Terminate.**

A. **Grounds.** If the Franchisee is in full compliance with this Agreement and the Company breaches any material provision, term or condition, Franchisee may terminate this Agreement as provided herein.

B. **Procedure.** The Franchisee shall not have any right to terminate this Agreement or commence an action against the Company for injunctive relief, violation of any state, federal or common law, unless and until:

(1) Written notice setting forth the alleged breach in detail has been delivered to the Company by the Franchisee; and

(2) The Company fails to correct, or diligently make all reasonable efforts to correct, the alleged breach within thirty (30) days after receipt of such written notice.

C. **Required Notice-Waiver of Breach.** If the Franchisee fails to give the Company written notice of an alleged breach of this Agreement within one (1) year from the date that the Franchisee has knowledge of the facts which constitute a breach by the Company, then the alleged breach shall be deemed to be condoned, approved and waived by the Franchisee and the alleged breach or violation shall not be deemed to be a breach or violation of this Agreement.

D. **Termination.** Notwithstanding any other provision of this Agreement to the contrary, in the event Franchisee terminates this Agreement pursuant to Section 16.3 upon final determination by a court that the Company has breached this Agreement, the Company shall hold implementation of the provisions of Sections 17.1.D.E.F.G.H and 17.2 in abeyance for such reasonable period as is necessary, not to exceed ninety (90) days, for Franchisee to implement a transition of Franchisee's Business to new systems, new signage etc. all without charge therefor, and the restrictions of Section 18.2 shall be inapplicable.

16.4 **Cross-Default.** Any default by the Franchisee (or any person/company affiliated with the Franchisee) under this Agreement may be regarded as a default under any other agreement between the Company (or any of its affiliates) and the Franchisee (or any of its affiliates). Any default by the Franchisee (or any person/company affiliated with the Franchisee) under any other agreement, including, but not limited to, any other franchise agreement, between the Company (or any of its affiliates) and the Franchisee (or any person/company affiliated with the Franchisee), and any default by the Franchisee (or any person/company affiliated with the Franchisee) under any obligation to the Company (or any of its affiliates) may be regarded as a default under this Agreement.

ARTICLE XVII

OBLIGATIONS UPON TERMINATION

17.1 **Obligations.** In the event of the termination or expiration of this Agreement, whether by reason of default, lapse of time or other cause, the Franchisee shall: (A) promptly pay all amounts owed to the Company; (B) promptly return to the Company the Manual and other confidential materials including, without limitation, all the BYRIDER Computer Software; (C) maintain confidentiality of all proprietary and Confidential Information furnished by the Company; (D) immediately cease using any of the Marks except as provided for herein; (E) immediately make all alterations to the building facilities and exterior signs at the Business Location to distinguish them from the appearance and identity of a Business; if the Franchisee shall fail or refuse to make or cause such changes to be made, the Company, without prejudice to its other rights and remedies, may enter upon the Business Location, forcibly if necessary, without being guilty of trespass or any other tort, and make such changes at the Franchisee's expense except as provided for herein; (F) within thirty (30) days after the termination or expiration of this Agreement, cancel all Byrider telephone listings, numbers and directory advertising, and, if required by the Company, direct the transfer of the same to the Company or on its order; (G) take such actions as may be necessary or desirable to assign to the Company or the Company's designee any Internet domain names, assumed name, rights or equivalent registration which contain the Marks, including, without limitation, any slogans used by the Company, within thirty (30) days after the termination or expiration of this Agreement; (H) comply with all covenants contained in Article XVIII herein; (I) pay all costs, including attorneys' fees, incurred by the Company in terminating this Agreement.

Further, if the Franchisee or an affiliate of Franchisee is the titleholder of the Business Location and if the termination of this Agreement is due to Franchisee's breach prior to the scheduled expiration of this Agreement according to 5.1 herein, the Company shall have the right, but not the obligation, to enter into a lease for the Business Location at a fair market value rental for a term of two (2) years.

17.2 **Termination of Access to BYRIDER Computer Software.** Upon termination or expiration of this Agreement, the Software Agreement shall also concurrently expire or terminate. Upon such termination or expiration, the Company shall not be obligated to provide the Franchisee with access to the BYRIDER Computer Software or provide any services with respect thereto, except that the Company shall promptly make available to Franchisee (in a commercially reasonable media and form or format, as Company shall determine) any and all information needed to permit Franchisee (or its assignee) to collect its receivables and otherwise engage in an orderly transfer, transition or wind down of Franchisee's Business.

17.3 **Survival of Obligations.** The expiration or termination of this Agreement shall be without prejudice to any of the rights and remedies of the Company with respect to the foregoing obligations, competitive covenants and other like matters that reasonably would survive the end of this Agreement.

ARTICLE XVIII

COVENANTS NOT TO COMPETE

18.1 In-Term Covenant Not To Compete.

Franchisee and its owners agree that, during this Agreement's term, neither Franchisee, nor any owner, nor any member of Franchisee's or an owner's immediate family will:

- (a) have any direct or indirect, controlling or non-controlling interest as an owner (whether of record, beneficial or otherwise) in, or as a landlord of, a Competitive Business (defined below), wherever located or operating;
- (b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating;
- (c) recruit or hire any employee of Company, Company's affiliates or Company's franchisees without obtaining prior written permission from such employer; or
- (d) divert or attempt to divert any actual or potential business or customer of the Franchisee's Business to a Competitive Business.

The term "Competitive Business" means any business (other than a Business being operated pursuant to a franchise agreement with the Company) which: (i) offers leasing or sells used automobiles, while retaining the retail installment contract or lease, (ii) operates itself as a provider of buy here pay here or lease financing whereby the selling dealer who originates retail installment contracts or leases and the assignee of the retail installment contracts or leases have some common equity ownership; (iii) provides vehicle repair services; or (iv) grants franchises or licenses to operate a business covered by the terms of (i), (ii) or (iii) of this subsection.

18.2 After Termination. With the exception of activities usual and customary to the winding-up or transfer of a business (e.g. collection of receivables, transitional assistance to a transferee, etc.), which activities Company hereby affirms that Franchisee shall have the right in which to engage, Franchisee agrees that for a period of twenty-four (24) months following the expiration or termination of this Agreement or any Successor Franchise Agreement, neither it nor any of its owners (or their immediate family members) will (i) engage, participate or assist in any way in the operation of or (ii) have any direct or indirect interest (whether as an owner, investor, partner, director, officer, employee, consultant, representative, agent, landlord, or otherwise) in, any Competitive Business that is located within a twenty-five (25) mile radius of Franchisee's Business or within a ten (10) mile radius of any Business in operation or under construction as of the date of expiration or termination of this Agreement.

18.3 Covenants by Franchisee's Personnel. The Company shall have the right to require the Designated Manager and all other personnel performing managerial or supervisory functions and all personnel receiving special training from the Company to execute confidentiality covenants in a form satisfactory to the Company.

18.4 **Enforcement of Covenants Not To Compete.** The Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to the Company for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby acknowledges the Company's right to seek an injunction and agrees not to contest any application by the Company for such injunction to prohibit any conduct by the Franchisee in violation of the terms of those covenants not to compete set forth in this Agreement. The Franchisee expressly agrees that it may be conclusively presumed that a violation of the terms of said covenants not to compete was accomplished by and through the Franchisee's unlawful utilization of the Company's Confidential Information, know-how, methods and procedures. Further, the Franchisee expressly agrees that the existence of any claims it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company for the covenants not to compete set forth in this Agreement.

18.5 **Fee for Employment Practices.** Franchisee acknowledges that the Company and Byrider Businesses make substantial investment in the hiring, training, and developing of its and their employees. Although Franchisee is not restricted from soliciting and/or hiring such employees, Franchisee agrees that if, during the Term and for a one (1)-year period after the termination or expiration of this Agreement, Franchisee or any of its owners, directly or indirectly, on behalf of itself or any other person (whether as an owner, employee, agent, consultant or in any other capacity), employs any person who is an employee of, or who, within one year of being hired by Franchisee, was previously employed by, the Company (or any of its affiliates) or any Byrider Business, without the written consent of the Company (or such affiliate) or such Byrider Business, then Franchisee must immediately pay an amount of damages equal to three (3) times the annual compensation of such individual to the Company (or its affiliate) or Byrider Business, as applicable.

ARTICLE XIX

ARBITRATION

19.1 Arbitration.

The parties agree that all controversies, disputes, or claims between Company and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between the parties;
- (2) Company's relationship with Franchisee;
- (3) the validity of this Agreement or any other agreement between the parties or any provision of any such agreements (including validity and scope of the arbitration obligations under this Section, which the parties acknowledge are to be determined by an arbitrator, not a court); or
- (4) any System requirement;

must be submitted for binding arbitration, on demand of either party, to Judicial Arbitration and Mediation Service (“JAMS”) or its successor (or an organization designated by JAMS or its successor). All questions of arbitrability shall be determined by the arbitrator. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current arbitration rules of JAMS. All proceedings will be conducted at a suitable location chosen by the arbitrator in the Indianapolis, Indiana metropolitan area. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any mark generic or otherwise invalid or, except as expressly provided in Section 20.8 below, award any punitive, exemplary or multiple damages against either party (each party hereby waiving to the fullest extent permitted by law, except as provided in Section 20.8 below, any right to or claim for any punitive or exemplary damages against the other).

Company and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Company and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Company or Franchisee.

Company and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Company and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Company and any other person. Notwithstanding the foregoing or anything to the contrary in this Section or Section 20.1, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 19.1, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with Section 20.6.

Despite this agreement to arbitrate, Company and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Company and Franchisee must contemporaneously submit the dispute for arbitration on the merits as provided in this Subsection.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

ARTICLE XX

MISCELLANEOUS

20.1 **Severability.** All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or refusal to extend the Term or prior notice of the refusal to grant the right to obtain a Successor Franchise Agreement than is required herein or the taking of some other action not required hereunder or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdictions and shall be enforced as originally made and entered into in all other jurisdictions.

20.2 **No Third Party Rights.** Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall it be deemed to confer upon any person or legal entity other than the Company or the Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement, except as provided in Section 18.5 and Section 19.1.

20.3 **Captions.** All captions herein are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

20.4 **Counterparts.** This Agreement may be executed in one or more counterparts and each copy so executed shall be deemed an original but all copies together shall constitute one agreement.

20.5 **Governing Law.** This Agreement takes effect upon its acceptance and execution by the Company in Indiana and shall be interpreted and construed in accordance with Indiana law. Any dispute between the parties, except as stated in this Section 20.5, shall be governed by the laws of the State of Indiana which law shall prevail in any event of conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. 1051 et seq.), the United States Arbitration Act (9 U.S.C. 1 et seq.), or other federal law. The provisions of any law of Indiana regarding franchises (including, without limitation, registration, disclosure, or relationship, and the regulations promulgated thereunder) shall not apply unless such law's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section. The enforceability of the covenants set forth in Article XVIII shall be determined in accordance with the law of the state in which Franchisee's Business is located.

20.6 **Choice of Forum.** The Company and the Franchisee agree that any action brought by one of them against the other (which is not to be arbitrated pursuant hereto or pursuant

to law) shall be instituted exclusively in a state or federal court having subject matter jurisdiction thereof located in Marion County, Indiana and they irrevocably waive any objection they may have to the jurisdiction or the venue of such court.

20.7 **Jury Trial Waiver.** The Company and the Franchisee irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

20.8 **Punitive Damage Waiver.** The Company and the Franchisee irrevocably waive any claim to punitive damages in any action, proceeding or counterclaim, whether at law or in equity brought by either of them.

20.9 **Limitation of Actions.** Except for claims arising from the Franchisee's non-payment or underpayment of amounts owed to the Company or its affiliates, any and all claims arising out of or relating to this Agreement or the relationship between the Franchisee and the Company will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

20.10 **Waiver.** The Company and the Franchisee may, by written instrument, unilaterally waive any obligation or restriction upon the other under this Agreement. Except as provided herein, no acceptance by the Company of any payment by the Franchisee and no failure, refusal or neglect of the Company to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard operating procedure, shall constitute a waiver of any provision of this Agreement.

20.11 **Royalty Fee.** The Franchisee shall not, on the grounds of alleged non-performance by the Company of any of its obligations hereunder, withhold payments of the Royalty Fee or any other amounts due the Company.

20.12 **Attorneys' Fees.** In the event either the Company or the Franchisee institutes a suit, action, arbitration, or proceeding to enforce any term or provision of this Agreement, the prevailing party in the suit, action, arbitration, or proceeding or, on appeal, shall be entitled to recover from the losing party reasonable attorneys' fees to be set by the trial or appellate court in addition to costs or disbursements provided by law.

20.13 **Notices - Approvals.**

A. **Notices.** All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manual will be deemed to be delivered: (a) at the time delivered by hand; (b) at the time delivered via computer transmission; (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission; (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and (f) must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report

which Company does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

B. **Approvals.** Unless specifically provided otherwise where the consent or approval of the Company or the Franchisee is required herein, such consent or approval shall not be unreasonably withheld or delayed.

C. **Force Majeure.** Neither the Company nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) acts of God; (2) fires, strikes, embargoes, war or riot; or (3) any other similar event or cause that are beyond the control of the party failing to perform its obligations. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said cause shall not excuse payment of amounts owed at the time of such occurrence or thereafter and as soon as possible the non-performing party shall immediately resume performance and, in no event, shall non-performance be excused for more than six (6) months.

20.14 **Binding Effect.** This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement by both the Franchisee and the Company, except that the Company shall have the right to unilaterally change the Manual from time to time so long as such change does not directly conflict with any provision of this Agreement.

20.15 **Complete Agreement.** This Agreement contains the complete expression of the agreement between the parties and there are no promises, representations or inducements except as herein provided. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the franchise disclosure document.

20.16 **Confidentiality.** Except as required for Franchisee to conduct its regular daily business with the Company, Franchisee shall not at any time, either during or after termination of Franchisee's relationship with the Company, or in any way, disclose, disseminate, transfer and/or use, or permit anyone else to disclose, disseminate, transfer and/or use, any Confidential Information of the Company, and Franchisee shall retain all such information in trust for the sole use and benefit of the Company and/or its affiliates. Franchisee acknowledges that the Confidential Information of the Company is valuable, special and unique to the Company's business and on which such business depends, and is proprietary to the Company and its affiliates, and that the Company has protected and wishes to continue to protect the Confidential Information by keeping it secret and confidential for the sole use and benefit of the Company and its affiliates. Franchisee will take all steps necessary and all steps reasonably requested by the Company, to insure that all such Confidential Information is kept secret and confidential for the sole use and benefit of the Company and its affiliates. In so doing, Franchisee shall require and represents that each of its employees, agents and representatives complies with each and every provision of this Agreement. Upon termination of this Agreement without the necessity of any request from the Company, or at any other time the Company may in writing so request, Franchisee shall promptly deliver to the Company all materials concerning any Confidential Information, copies thereof and any other materials of the Company and/or its affiliates which are in Franchisee's possession or under Franchisee's control, and Franchisee shall not make or retain any copy, draft or extract

thereof which has been made at any time. Franchisee acknowledges that the foregoing provisions are necessary to protect the special knowledge of the Company's and its affiliates' trade secrets (which are the result of a considerable amount of time, money and effort of the Company and its affiliates to increase and maintain its sales, including product sales) which Franchisee has acquired and will acquire in carrying out Franchisee's job responsibilities as well as the Company's goodwill and customer relationships to which Franchisee has gained access through Franchisee's dealer relationship. Nothing contained herein shall be construed or considered to vest in the Franchisee any right, title or interest of any kind in or to the information disclosed or made available to it by the Company pursuant to this Agreement or otherwise. Accordingly, Franchisee acknowledges and agrees that all memoranda, notes, records, agreements, documents and other materials, as well as copies and drafts thereof, made and/or compiled by Franchisee and/or made available to Franchisee during the course of his/her dealer relationship, which relate to the Confidential Information (as stated above), is and shall remain the property of the Company. The obligations of Franchisee under this Section shall survive the termination (for any reason) or breach of this Agreement.

20.17 **Submission of Agreement.** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution hereof by the Company and the Franchisee. The date of execution by the Company shall be considered to be the date of execution of this Agreement.

20.18 **Compliance with Anti-Terrorism Laws.** Franchisee and Franchisee's owners agree to comply, and to assist the Company to the fullest extent possible in Company's efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and Franchisee's owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and Franchisee's owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners, or any blocking of Franchisee's or Franchisee's owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 16.2(A)(14) above.

20.19 **Disclosure of Franchisee Shareholders.** Upon request by the Company, Franchisee shall disclose to the Company the names of the shareholders and their respective percentages of ownership of the Franchisee corporation, Franchisee limited liability company, or other Franchisee entity.

THIS AGREEMENT SHALL NOT BE BINDING ON THE COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE COMPANY.

IN WITNESS WHEREOF, the Company and the Franchisee have respectively signed this Agreement as of the day and year first above written.

THE COMPANY DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE FRANCHISEE'S BUSINESS OPERATIONS UNDER THIS AGREEMENT.

This is a legal document that grants specific rights to and imposes certain obligations on the Company and the Franchisee. Consult legal counsel to be sure that you understand your rights and duties.

FRANCHISEE HAS READ ALL OF THE FOREGOING AGREEMENT AND HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS THEREOF AND ALL EXHIBITS/ADDENDUMS ATTACHED HERETO.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

EXHIBIT A
TO FRANCHISE AGREEMENT

BUSINESS LOCATION

The term “Business Location” shall mean Franchisee’s Business owned by Franchisee and located at:

«Business_Location»

Protected Territory: «Protected_Territory»

EXHIBIT B
TO FRANCHISE AGREEMENT

ROYALTY CATEGORY
AND
ADDITIONAL FRANCHISE CATEGORY

The term “Royalty Category” shall mean: «Royalty_Category»

The term “Additional Franchise Category” shall mean: [Traditional or Ultra]

EXHIBIT C
TO FRANCHISE AGREEMENT

**PERSONAL GUARANTY
AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement") between Byrider Franchising, LLC ("Company") and «Name of Franchisee», «Entity Type», dated «Month» «Day», «Year», the undersigned ("Guarantor") hereby unconditionally: (1) guarantees to Byrider Franchising, LLC, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the franchisee named therein and any assignee of franchisee ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be bound by, and liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the non-competition, confidentiality, transfer, and arbitration requirements.

The undersigned waives:

- (1) acceptance and notice of acceptance by Company of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligation hereby guaranteed;
- (4) any right to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (5) all rights to payments and claims for reimbursement or subrogation which Guarantor may have against Franchisee arising as a result of Guarantor's execution and performance under the Guaranty;
- (6) all other notices and legal or equitable defenses.

The undersigned consents and agrees that:

- (1) Guarantor's direct and immediate liability under this guaranty shall be joint and several;

(2) Guarantor shall render under this Guaranty any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by Company of any remedies against Franchisee or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Company may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty shall become null and void upon the transfer of the Franchisee's Business (as defined in the Agreement) pursuant to the terms and conditions of the Agreement to a buyer approved by Company that has executed Company's then current form of franchise agreement, including the owner guaranty.

The provisions of Section 19.1 (Arbitration), Section 20.5 (Governing Law), Section 20.6 (Choice of Forum) and Section 20.12 (Attorneys' Fees) of the Agreement are incorporated into this agreement by reference and shall govern this guaranty and any dispute between the undersigned and Company.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Guaranty on the same day and year as the Agreement was executed.

GUARANTOR

«Signatory», Individually

EXHIBIT D
TO FRANCHISE AGREEMENT

BYRIDER SOFTWARE SERVICES AND USER AGREEMENT

This Software Services and User Agreement (“Agreement”) is entered into as of the «Day» day of «Month», «Year», by and between BYRIDER FRANCHISING, LLC, having its principal place of business at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (hereinafter “Licensor” or “Company”) and Franchisee, as identified in the Franchise Agreement between Byrider Franchising, LLC, and Franchisee dated «Month» «Day», «Year» (together with its agents and successors, collectively, hereinafter “Licensee”), and is made part of the Franchise Agreement. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement.

1. Licensed System. Licensor has developed certain computer software programs relating to “buy-here-pay-here” automobile sales and collection management systems, including programs which allow generation of specific retail installment sales and security contracts from input data and monitoring of receivables and collection productivity by Licensee, for use in the automobile sales business (hereinafter referred to as “Licensed Software”). The Licensed Software includes components owned and licensed directly by Licensor (“Licensor Software”) and components provided from third parties and sublicensed by Licensor (“Third Party Software”). Licensor has also developed documentation associated with these programs (including end-user manuals) to assist in utilization and understanding of that software (hereinafter referred to as “Licensed Documentation”). The server portion of the Licensed Software will be hosted by Licensor from Licensor’s data processing facilities (the portion of those facilities that host the Licensed Software is hereinafter referred to as the “Hosting Facility”). Licensor has developed infrastructure standards (“Infrastructure Standards”) (as that term is defined and described in Exhibit 1 to this Agreement) that permit approved access to the Licensed System. The Hosting Facility, the Licensed Software, the Infrastructure Standards and Licensed Documentation, together with any modifications, translations, updates, versions, enhancements or improvements to the software programs and/or documentation provided by Licensor to Licensee are hereinafter referred to as the “Licensed System.” Licensor agrees to provide Licensee with one (1) copy of the Licensed Documentation and all updates or revisions to the Licensed Documentation. Licensor agrees to provide Licensee access to the Licensed Software.

2. Services. In accordance with the terms and conditions of this Agreement, Licensor shall provide Licensee with usage, login, and access to self-management of security controls to the Licensed System (all of which constitute and form part of the Confidential Information) for the purpose of providing to Licensee data processing and other services related to the “buy-here-pay-here” automobile sales and collection management systems, particularly generation of specific retail installment sales and security contracts from input data and monitoring of receivables and collection productivity by Licensee (hereinafter referred to as “Services”). Licensor shall have the right to suspend or limit, in whole or in part, Licensee’s access to the Services upon ten (10) days written notice to Licensee if any amounts due Licensor are more than thirty (30) days past due or as otherwise provided in the Franchise Agreement.

3. License. Subject to all the terms and conditions of this Agreement and the Franchise Agreement, Licensors hereby grants to Licensee, and Licensee hereby accepts, a non-exclusive, indivisible, non-transferable license to access and use the Licensed System in a manner consistent with the terms of this Agreement. Such license is provided for the sole purpose of allowing Licensee access to the functions of the Licensed System necessary to obtain the Services for the sole use of Licensee's automobile sales business pursuant to and in accordance with the Franchise Agreement. It is the responsibility of the Licensee alone to ensure that the Licensed System fulfills the individual requirements and goals of the Licensee. This license extends only to use for Licensee's own internal automobile sales business purposes and not for any direct or indirect benefit of third parties. Licensee agrees to access the Licensed System only by means of the equipment and procedures substantially similar to those designated in **Appendix A** attached hereto and incorporated herein by reference. Licensee agrees to use the Licensed System solely for the purposes of business initiated and conducted at the location specified in **Appendix C**, and additional locations may not be added without Licensors's approval. Licensee shall not use or access the Licensed System in connection with the performance of data processing services or as a service bureau for any third person. Licensee further agrees that it shall not use the Licensed System or transmit data to, through, or from the Hosting Facility in any manner that is contrary to any law or regulation of the United States or any state or country where Licensee is located. Licensee shall, at all times, use the Licensed System and access the Hosting Facility as directed by the Licensors from time to time. The components of the Licensed System may be changed from time to time at the Licensors's sole discretion.

4. Transmission of Data and Use of Services. Except as may be provided in this Agreement, Licensee shall be solely responsible for communications and transmission of any and all data and information of any kind between Licensee and the Licensed System/Hosting Facility (hereinafter "Customer Data"). Licensee assumes exclusive responsibility for the consequences of any instructions Licensee may give Licensors, for Licensee's failure to properly access the Licensed System in the manner prescribed by Licensors, and for Licensee's failure to supply accurate, timely, and/or complete input information. All network connectivity to and from the Licensed System and Hosting Facility is the responsibility of the Licensee and must be by means of secured network connections and controlled devices. Network configuration and access, anti-virus tools, firewalls, VPN tools, wireless access points, and possibly other means must be installed, maintained, and activated by the Licensee as directed by the Licensors. Licensee is responsible for choosing its network carrier, associated costs, and service levels. Licensors reserves the right to immediately suspend Licensee's network connectivity and use of the Licensed System if the Licensors believes in good faith that the Licensee poses a threat to the Licensed System or Licensors due to viruses, worms, hacking, or any other situation that presents reasonable dangers. Upon a showing that Licensee's use no longer poses such a threat, then Licensors shall reactivate Licensee's use of the Licensed System.

5. Undertakings of Licensors. In accordance with the terms of this Agreement, Licensors agrees to:

- a) Make its commercially reasonable efforts to maintain the Licensed System in operation twenty-four (24) hours a day, seven (7) days a week except for periods of scheduled maintenance;

- b) Use its commercially reasonable efforts to provide the Services in a manner that protects information transmitted by Licensor from unauthorized interception, modification, or replication; and
- c) Provide computer hardware and support for such hardware as detailed in this Agreement.

6. Retention of Title. Licensee agrees that all title, ownership, intellectual property rights, and similar rights, in and of the Licensed Software and Licensed Documentation and all copies in whole or in part thereof shall at all times remain with Licensor. Such intellectual property rights include, but are not limited to, patent, trademark, copyright, and/or trade secret rights. Licensee shall keep the Licensed Software and Licensed Documentation free and clear of all claims, liens, and encumbrances. Any act of Licensee purporting to create a claim, lien, or encumbrance on the Licensed Software and Licensed Documentation shall be void. Licensee further hereby acknowledges that the Licensed Software contains proprietary trade secrets and know-how, including the “look and feel” of the Licensed Software screen displays and the Licensed Software manner of operation. Licensee agrees to protect such proprietary information, trade secrets, and know how by complying with the confidentiality provisions of this Agreement.

7. Fees. Licensee shall pay to Licensor the amount specified in **Appendix B**, attached hereto and incorporated herein by reference, in accordance with the terms specified in **Appendix B**. The Initial Fee shall be paid within thirty (30) days of execution of this Agreement. The Conversion Fee shall be paid within thirty (30) days of the initial usage of the Licensed System. The Monthly Usage Fee shall be paid by the 15th of each month for the previous month’s usage. The Custom Support Fee shall be paid within thirty (30) days of invoicing. The Monthly Usage Fee and Custom Support Fee are subject to an increase or decrease at the discretion of the Licensor. An increase per fee shall not occur more than once per calendar year and is subject to at least ninety (90) days advance notice to the Licensee.

8. Term. This Agreement shall remain in full force and effect during the term of the Franchise Agreement and, unless sooner terminated as provided herein, shall expire or terminate concurrently with the expiration or termination of the Franchise Agreement.

9. Customer Data. Licensee shall remain the sole and exclusive owner of all its Customer Data and other confidential information of Licensee, regardless of whether such data is maintained on Licensor’s or Licensee’s technology systems, magnetic or other media, or any other storage or processing device. Licensor shall be permitted to view, and copy the Customer Data, and grant third party access to Customer Data at the discretion of Licensor for the purposes of analysis and maintaining the Licensed System. All such Customer Data and other confidential information of Licensee shall be subject to examination by the appropriate auditors to the same extent as if such information were on Licensee’s premises. Upon Licensee’s request, and at Licensee’s expense, Licensor shall provide promptly to Licensee copies of any and all Customer Data on media designated by Licensee. Also upon Licensee’s request, authorized personnel of Licensee shall be permitted access to the Licensor facilities utilized in providing the Services during normal business hours subject to any reasonable security procedures or other restrictions in effect at Licensor’s facilities. Notwithstanding the foregoing, Licensor may provide access to the Customer Data, without consent of Licensee, in compliance with the order or judgment of a court

of competent jurisdiction. Licensor will process items and data and perform the services under this Agreement on the basis of information furnished by Licensee. Licensor shall be entitled to rely upon any such data, information, or instructions as provided by Licensee. If any error results from incorrect input supplied by Licensee, Licensee shall be solely responsible for discovering and reporting such error and supplying data necessary to correct such error to Licensor. In no event shall Licensor be liable for any direct or indirect damages of any type resulting from data furnished by Licensee. Licensor may maintain backup Customer Data in perpetuity following the termination of this Agreement.

10. Anonymous Data. Licensee hereby grants an irrevocable non-exclusive license to Licensor and its agents, successors, and assigns to use, compile, distribute, market, sell and sublicense statistical analyses, information, data and reports utilizing data aggregated or obtained from Customer Data during the term of this Agreement (“Anonymous Data”). Licensor shall cause the Anonymous Data to be created in a manner which does not include information that personally identifies Licensee or any of its customers. Licensor’s use of Anonymous Data shall only be to the extent allowable by law. For example, Licensor shall be permitted to provide Licensee’s Customer Data to service bureaus and other parties who aggregate data for reporting and analysis purposes if the Licensor provides substantially similar Customer Data from the Franchisees of the Licensor for the same purpose. Examples of parties would include Experian, Equifax, Transunion, Carfax, and Lexis-Nexis.

11. Confidential Information. Licensee acknowledges that the Licensed Software and Licensed Documentation include proprietary information containing trade secrets and copyrighted materials. Licensee shall not make the Licensed Software or Licensed Documentation or any portion thereof available by assignment, sublicense, transfer, disclosure or any other means for copying or use by any person, firm, or corporation not a party to this Agreement other than its employees, agents and successors. Licensee acknowledges that any unauthorized disclosure to or use by third parties may cause immediate and irreparable harm and significant injury to Licensor that may be difficult to ascertain. Accordingly, Licensee agrees that Licensor will have the right to obtain immediate injunctive relief to enforce obligations under this Agreement, upon breach of such obligations or threat of such breach, in addition to any other remedies to which it may be entitled.

“Confidential Information” for purposes of this Agreement shall mean and include all information not in the public domain that relates to, is embodied in, or associated with Licensor, the Licensed System and the Hosting Facility and the methods of operation and nature of the foregoing, including, but not limited to, all trade secrets, know-how, engineering documents, designs and procedures, manuals, software, program listings, data file printouts, screen displays, technical data, research, or third-party confidential information disclosed to Licensor; and including the nature and existence of any of the foregoing. Confidential Information includes oral, intangible, and/or recorded forms of disclosure as well as written or tangible forms of disclosure and shall specifically include all information that if, due to its character or nature, a reasonable person in a like position and under like circumstances as Licensee would treat as confidential. Confidential Information, however, does not include information that: 1) is now or subsequently becomes generally available to the public through no fault or breach on the part of Licensee; 2) Licensee can demonstrate to have had rightfully in its possession prior to disclosure to Licensee by Licensor; 3) is independently developed by Licensee without the use of any Confidential

Information; or 4) Licensee rightfully obtains from a third party who has the right to transfer or disclose it.

Licensee will not disclose, publish, or disseminate Confidential Information to anyone other than (a) those of its employees and contractors with a demonstrable “need to know” who have a binding, written, confidentiality obligation to Licensee that protect such Confidential Information against disclosure, or (b) other employees and contractors working for Licensee that have entered into a Non-Disclosure Agreement with Licensor. Licensee shall not, and shall not attempt to, decompile, reverse engineer, disassemble, modify, network, rent, lease, or loan the Confidential Information without prior written authorization of Licensor. Licensee shall not remove, overprint, or deface any notice of copyright, patent, trademark, logo, legend, or other notices of ownership from any originals or copies of Confidential Information. Licensee further agrees not to introduce any virus, worm, Trojan horse, bomb, sniffer, or other malicious computer code or process into the Licensed System or onto or through the Hosting Platform or any other Licensor network/s. Licensee agrees and consents that the mingling of the Confidential Information with any information of Licensee will not affect the Confidential Information status of such information. Licensee further agrees to take reasonable precautions to prevent any unauthorized use, disclosure, publication, or dissemination of Confidential Information. Licensee shall immediately notify Licensor of any actual or suspected unauthorized disclosure or use of the Confidential Information that comes to Licensee’s attention, and shall take all action that Licensor reasonably requests to prevent any further unauthorized use or disclosure thereof. Licensee shall not access nor attempt to gain access to data other than Licensee’s own Customer Data.

Licensee shall continue to be bound by these non-disclosure provisions after termination of this Agreement until the expiration of Licensor’s intellectual property rights and the public disclosure of Licensor’s trade secrets (through no fault of Licensee) in the Licensed System. The license granted under this Agreement is expressly conditioned upon Licensee’s continuous and complete compliance with the provisions of this Section 11.

12. Copying Prohibited. Licensee shall not make any copies of the Licensed Software in whole or part. Licensee shall not make any copies of the Licensed Documentation in whole or part [beyond the number of copies necessary for its use of the License System]. In no event shall Licensee make any copy of the Licensed Documentation available to any person other than one of its employees or agents who are bound to maintain that information in confidence and have been instructed not to make the copy available to any person other than an employee or agent of Licensee who is similarly bound.

13. Notice Marking. Licensee shall label all copies of the Licensed Documentation or separately identifiable portions thereof made by Licensee as follows:

© Byrider Franchising, LLC All rights reserved. Copies in whole or part may only be made by express written permission of the copyright owner.

Such copyright notices shall be prominently displayed so as to be readily noticed by anyone having access to copies of the Licensed System or any portions thereof. Licensee shall not remove, hide, or disable any of the Licensor’s copyright notices on the Licensed System. Except as expressly

provided in Section 3, no rights are granted under this Agreement either expressed or implied with respect to any copyrights.

14. Security and Disaster Recovery. Licensor agrees to take commercially reasonable efforts to store, or cause to be stored, in a secure location remote from Licensor, additional copies of all records and Customer Data and any Licensor resources required to provide the Services, and additional tapes or disks necessary to reproduce all such records and Customer Data, as well as source or object code of all software included in the Licensed System on a reasonable periodic basis. Licensee acknowledges that such backup information will not be entirely current. Licensor shall establish and maintain safeguards against the destruction, loss or damage to or alteration of Customer Data in its possession which surpass minimum regulatory requirements and are no less rigorous than those maintained by Licensor for its own data and software, and use reasonable care in accordance with standard commercial practices to minimize the likelihood of any damage to or loss of such Customer Data. Licensor further agrees to maintain a Disaster Recovery Plan. "Disaster" shall mean any unplanned interruption of operations that materially affect the ability of Licensor to provide Services beyond a reasonable period of interrupted service. Such Plan shall include means for providing alternate electrical power to Licensor technology systems and for restoration of backed-up data. At all times, Licensee shall provide and maintain a secure network connection to the Licensed System and the Hosting Facility. At all times, Licensee shall cause its personnel to access the Licensed System and the Hosting Facility in a reasonably secure work environment to prevent any unauthorized use or access to the Licensed System or the Hosting Facility.

15. Limited Warranty. Licensor warrants that the Licensor's Software will substantially conform to Licensor's current published documentation when delivered to Licensee. **The Third Party Software is not warranted by Licensor.** In the event that the Licensee provides Licensor with written documentation at any time during the term of the Franchise Agreement verifying that there is a non-conformity in the Licensed Software which significantly impairs a vital business function not caused by defects in Third Party Software or misuse by Licensee, and Licensee is in full compliance with the terms of this Agreement, then Licensor, at Licensor's election, either 1) shall correct the non-conformity free of charge, or 2) shall provide an alternative procedure or "work around" whereby the non-conformity will not have a significant effect on the Licensee's use of the Licensed Software. Should such non-conformities be due solely to defects in Third Party Software, Licensor shall have no liability to Licensee for such defect and Licensee's sole remedy for such defect shall be from the Third Party. Licensee shall provide Licensor, at no charge, sufficient access to, support, and test time on Licensee's equipment to identify the non-conformity, certify that the non-conformity results from error of the Licensed Software, and certify whether or not the non-conformity has been remedied. Licensee agrees to establish adequate back up plans, including for personnel to aid in non-conformity diagnosis by Licensor and to assist in the repair of defects by Licensor, in the event of non-conformities, errors, defects or other malfunctions in the Licensed Software. Licensee shall also implement sufficient procedures to satisfy its own requirements for security and accuracy of input and output. Licensor does not guarantee any retroactive compatibility between new versions, releases, fixes, enhancements, or other modifications to the Licensed System.

THE FOREGOING WARRANTY IS NULL AND VOID IF THE ALLEGED NON-CONFORMITIES ARE PROXIMATELY CAUSED BY ANY OF THE FOLLOWING:

A. ANY UNAUTHORIZED MODIFICATION OR USE OF THE LICENSED SYSTEM BY LICENSEE,

B. LICENSEE'S FAILURE TO PERFORM A REQUIRED DUTY OR DUTIES, OR

C. LICENSEE PERFORMING A REQUIRED DUTY IN AN IMPROPER MANNER.

16. Licensed System Maintenance and Support.

a. Licensors may make corrections, updates, and modifications of the Licensed System ("enhancements") from time to time. Licensors shall make the enhancements to the Licensed System available to Licensee without additional charge except for any enhancements which constitute Third Party Software, or changes to Infrastructure Standards. Licensors will provide Licensee any enhancements which constitute Third Party Software or changes to Infrastructure Standards, and shall be permitted to pass through a charge to Licensee equal to Licensee's pro rata portion of an amount equal to Licensors' cost therefor, provided that such changes to the Infrastructure Standards were reviewed by the Dealer Board and are used by all users of the Licensed System. Further, Licensors may or may not, at its option, repair or replace any verifiable non-conformities in the Licensed Software programs such that these programs conform to the documentation of the Licensed System and provide those repairs or replacements to Licensee without additional charge. Also, Licensors will provide consultation by telephone to assist Licensee to resolve difficulties of Licensee related to the use of the Licensed Software. The maintenance services contemplated by this paragraph will be provided generally from 9 a.m. to 5 p.m., Eastern Daylight Time, Monday through Friday, excluding holidays.

b. Licensee shall designate an appropriate and knowledgeable person to serve as Licensee's liaison with Licensors and through whom all contacts and questions shall be presented to Licensors. Licensors shall not be obligated to provide information or answer inquiries from Licensee except through this liaison person.

c. If Licensee requests on-site assistance from Licensors, and Licensors agrees that such on-site assistance is reasonably necessary, Licensee will additionally pay Licensors' travel, the then current Custom Support Fee charged by Licensors, and other related business expenses actually incurred in the performance of such services. These expenses will be invoiced separately other fees, and payment shall be due in full from Licensee within thirty (30) days of the date of invoice.

d. In the event that Licensee or any third party makes any unauthorized changes, modifications, enhancements, or improvements to the Licensed System, Licensors shall be relieved of its obligations to provide services under this Agreement for any portions of the Licensed System that have been effected, directly or indirectly, by such changes, modifications, enhancements, or improvements. Such unauthorized alterations in the Licensed System and/or Licensee's default of any of its obligations under this Agreement shall be grounds for termination by Licensors of this Agreement for cause according to the provisions of Section 24 of the Agreement.

e. If Licensee requests assistance from Licensor, and Licensor in its sole judgment determines the assistance is beyond reasonable and customary assistance provided under this Agreement, the Licensor will advise the Licensee that the then current Custom Support Fee will apply. The Licensor will provide the assistance only after the Licensee agrees in writing to the Licensor to pay for such services. These expenses will be invoiced separately from other fees, and payment shall be due in full from Licensee within thirty (30) days of the date of invoice.

17. Disclaimer of Warranties. THE LIMITED WARRANTY IN SECTION 15 IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. LICENSOR SHALL NOT BE LIABLE FOR ANY INCIDENTAL AND/OR CONSEQUENTIAL DAMAGES TO LICENSEE OR ANY THIRD PARTY OCCURRING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF THE LICENSED SYSTEM OR ITS SERVICES UNDER THIS AGREEMENT, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH INCIDENTAL AND/OR CONSEQUENTIAL DAMAGES. FURTHER, LICENSOR SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES OF ANY TYPE OF NATURE, EXCEPT AS PROVIDED IN SECTIONS 20 AND 21 BELOW. LICENSOR MAKES NO REPRESENTATIONS OR WARRANTIES THAT THE SERVICES SHALL BE UNINTERRUPTED. LICENSOR SHALL NOT BE RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY INDIRECT OR CONSEQUENTIAL DAMAGES RESULTING FROM DAMAGE TO DATA, OR DAMAGES DUE TO HACKING OR AN EMPLOYEE OF LICENSEE DAMAGING DATA/SYSTEM, OR ANY DAMAGES DUE TO OPERATION OF THE THIRD PARTY SOFTWARE, EVEN IF LICENSOR HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

18. Retail Installment Sales and Security Contracts. LICENSOR MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE VALIDITY, ACCURACY, APPROPRIATENESS, USEFULNESS OR OTHER ASPECTS OR CHARACTERISTICS OF ANY RETAIL INSTALLMENT SALES AND SECURITY CONTRACT CREATED BY LICENSEE USING THE LICENSED SYSTEM.

19. Limited Remedies.

a. Except as provided in this paragraph, Licensee's sole remedy for a breach of the warranty of the Licensed System provided in Section 15 is limited to the remedy provided in that Section. If, thirty (30) days after the giving of the required notice described in Section 15, the non-conformity of the Licensor Software remains uncured and Licensor has not provided an alternative procedure, then Customer may terminate this Agreement by written notice given within ten (10) days after the end of the cure period. Notwithstanding any other provision of this Agreement to the contrary, if Licensee terminates the Franchise Agreement upon final determination by a court of the Licensor's breach of the Franchise Agreement or this Agreement, (a) Licensor shall hold implementation of the provisions of Sections 17.1.D.E.F.G.H and 17.2 of the Franchise Agreement in abeyance for such reasonable period as is necessary, not to exceed ninety (90) days, for Licensee to implement a transition of its business to new systems, new signage etc. all without charge therefor and the restrictions of Section 18.1 and 18.2 of the Franchise Agreement shall be inapplicable and (b) Licensor shall promptly make available to Licensee (upon

such media and in such form or format as reasonably determined by Licensor) any and all information needed to permit Licensee (or its assignee) to collect its receivables and otherwise engage in an orderly transfer, transition or wind down of Licensee's business. Upon the Licensee returning the Licensed System to Licensor under the terms stated in Section 25 of this Agreement, Licensor shall return all fees covered by **Appendix B** and actually paid by the Licensee to Licensor and Licensor shall have no further obligations to Licensee.

b. Licensee's sole remedy for any failures of Licensor under Section 16 is, thirty (30) days after detailed written notice of the breach has been provided to Licensor and the breach remains uncured, to terminate this Agreement by written notice given within ten (10) days after the end of the cure period and have returned to it the fees actually paid by the Licensee to Licensor for the sixty (60) days preceding the date of termination.

c. The obligations of Licensor under this paragraph are the Licensee's sole remedy for any violation of Licensor's obligations under Sections 5 and 14. To the extent that any Customer Data must be corrected, recreated, restored or reprocessed due to any fault or negligence of Licensor, its employees or agents, or due to operation of Licensor Software, or due to a breach by Licensor of any of its warranties hereunder, Licensor will be responsible for the cost of taking commercially reasonable efforts to correct, recreate, restore or reprocess the data at no cost to Licensee. Both parties agree to fully cooperate with one another to effectuate the prompt correction, recreation, restoration or reprocessing of any Customer Data.

d. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 21, LICENSOR AND ITS THIRD PARTY LICENSORS SHALL NOT BE RESPONSIBLE FOR ANY CLAIMS AGAINST LICENSEE BY ANY OTHER PARTY NOR, EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION, SHALL LICENSOR OR ITS THIRD PARTY LICENSORS BE LIABLE FOR ANY LOSS OF PROFITS, INTERRUPTION OF BUSINESS, NON-AVAILABILITY OF THE LICENSED SYSTEM OR THE SERVICES UNDER THIS AGREEMENT, LOSS OF DATA, OUT-OF-POCKET EXPENSES OR ANY OTHER DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES, HOWEVER CAUSED, WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, WARRANTY, STATUTORY RIGHTS OR ANY OTHER BASIS ARISING OUT OF LICENSEE'S USE OF THE LICENSED SYSTEM, THE MARKETING, DELIVERY OR SUPPORTING THEREOF, OR OTHERWISE ARISING PURSUANT TO THIS AGREEMENT.

20. Limitation of Liability. LICENSOR'S AGGREGATE LIABILITY TO LICENSEE FOR ANY CAUSE WHATSOEVER IS LIMITED TO AN AMOUNT EQUAL TO THE FEES COVERED BY **APPENDIX B** AND ACTUALLY PAID BY LICENSEE FOR USE OF THE LICENSED SYSTEM DURING THE THEN MOST RECENT 12 MONTH PERIOD OF TIME PRECEDING THE DATE OF THE EVENT (OR, IF MORE THAN ONE EVENT, THE FIRST EVENT) GIVING RISE TO THE LIABILITY.

21. Intellectual Property Indemnification. Licensor, at its own expense, shall defend any and all claims, actions and causes of actions brought against Licensee to the extent that it is based on a claim that the Licensed System infringes a patent, copyright, or intellectual or industrial property right of any person, firm, or corporation not a party to this Agreement, provided

that (a) Licensee promptly notifies Licensor of any potential or threatened claims and the commencement of any such legal action, (b) Licensee has not by any act of commission or omission prejudiced Licensor's ability to successfully defend such litigation, and (c) Licensor shall have exclusive control of the defense to such legal action and of all negotiations for settlement or compromise. If these conditions are met, Licensor shall indemnify and hold Licensee harmless with respect to all costs and damages actually awarded against Licensee arising out of such legal action, subject to the limitations of Section 20. In the event that the Licensed System becomes, or in Licensor's opinion is likely to become, the subject of a claim of infringement of a patent, copyright, or other intellectual or industrial property right of any person, firm or corporation not a party to this Agreement, Licensor may, at its option, either secure Licensee's right to continue using the Licensed System, replace or modify the Licensed System so as to make it non-infringing without materially impairing the Licensed System's utility, or, if neither of these alternatives is reasonably available to Licensor, terminate this Agreement upon one (1) month's written notice. In the event that Licensor elects to so terminate this Agreement to avoid infringement within twelve (12) months of delivery of the Licensed system to Licensee, then Licensor shall refund to Licensee the price paid for usage, login, and security rights to the software under this Agreement according to the percentage of days within that twelve (12) month period that Licensee did not have access to the Licensed System. If, however, Licensee notifies Licensor in writing during the one (1) month after Licensor's notice of termination under this Section that Licensee elects to continue to be licensed with respect to the Licensed System, then Licensee shall undertake, at Licensee's expense, the defense of any such legal action against Licensee and/or Licensor arising from Licensee's use of the Licensed System and shall indemnify and hold Licensor harmless with respect to all costs, damages, and attorney fees actually incurred and attributable to such continued use or further defense of said legal action after such notice is given to Licensor. Licensor shall have no liability to Licensee if the alleged infringement is based upon a use other than of a current, unaltered version of the Licensed System available from Licensor or upon a use or combination of the Licensed System with programs or data not supplied by Licensor. The foregoing states the entire liability of Licensor with respect to infringement.

22. Licensee's Indemnification. The Licensed System permits the Licensee to create its own retail installment sales and security contracts for which Licensee is solely responsible. Licensee is solely responsible for its use, preparation and transmission of Customer Data and the accuracy of Customer Data, or any other aspect, including, for example, Annual Percentage Rate Calculations, of any retail installment sales and security contract created by Licensee through its use of the Licensed System. Licensee shall indemnify and hold Licensor harmless against claim, action, or cause of action which arises from the use of the Licensed System by Licensee under this Agreement including, but not limited to, attorneys fees actually incurred, costs, expenses, damages, judgments, awards, and penalties, provided that the same does not arise solely from Licensor's negligence or willful misconduct. Further, Licensee shall be liable to Licensor and any affected franchisee of Licensor for any damages, direct or consequential, caused by any use of the Licensed System by Licensee that has not been approved by Licensor in writing. Further, Licensee shall be liable to Licensor and any affected franchisee of Licensor for any damages, direct or consequential, caused by a third party's activities which result from Licensee's use of the Licensed System in any manner which has not been approved by Licensor in writing.

23. Injunction. If Licensee attempts to use, copy, license or convey the Licensed System or any portion thereof or any copies thereof in a manner contrary to the terms of this

Agreement, Licensor shall have, in addition to any other remedy, the right to injunctive relief. Licensee hereby acknowledges that other remedies are inadequate.

24. Termination. This Agreement shall automatically and without notice expire or terminate concurrently with the expiration or termination of the Franchise Agreement. In addition, if, at any time, Licensee defaults in the performance of any of its obligations under this Agreement and such default is not corrected within ten (10) days after Licensor has given Licensee written notice specifying such default, in addition to any other remedies that it may have, Licensor shall have the right to terminate this Agreement for cause by giving written notice of termination to Licensee, and this Software License Agreement shall then immediately terminate. Termination shall not relieve either party of its pre-existing obligations under this Agreement. Upon initiation of any bankruptcy or receivership proceedings by or against Licensee, or upon execution of a deed of trust or assignment for the benefit of creditors or any other transfer or assignment of a similar nature by Licensee, Licensor reserves the right to terminate this Agreement immediately or at any time thereafter.

Except as provided in Section 19(a) above, upon termination of this Agreement, Licensor shall not have any obligation to refund any fees paid to it by Licensee for use of the Licensed System.

Licensee further acknowledges and agrees that Licensor may terminate this Agreement or suspend Licensee's access to and use of the Licensed Software and Licensed Documentation under and as described in Section 17.2 of the Franchise Agreement.

25. Return of the Licensed System. Immediately upon termination of the Agreement, Licensee shall cease all use, and make no further use, in whole or part, of the Licensed System and shall return the Licensed System and all copies thereof, including any partial copies, to Licensor. With this return of the Licensed System, Licensee shall certify in writing that the original and all copies in whole and part and in any form of the Licensed System have been delivered to Licensor.

26. Infringement. Licensee shall promptly notify Licensor in writing of potential or threatened infringement of Licensor's proprietary rights in the Licensed System by any person, firm, or corporation not a party to this Agreement of which Licensee becomes aware during the term of this Agreement.

27. Shipment. All risk of loss or damage to the Licensed System after it is received by Licensee shall be borne by Licensee. Licensee shall pay the shipping and handling charges for delivery of the Licensed System or any hardware procured by Licensor for Licensee under this Agreement.

28. Program Services. Nothing in this Agreement shall be construed to imply that Licensor has any additional obligation to furnish any additional services or material other than those specifically indicated herein.

Licensee agrees that Licensor shall own and have the right to make, use, sell or license to others the Licensed System and any improvements to the Licensed System or any new

Licensed System developed by Licensor as a result of any program services to Licensee under this or any other agreement with Licensor relating to the Licensed System.

29. Hardware Purchase and Warranty Disclaimer. Solely as an accommodation to Licensee, Licensor agrees to obtain on Licensee's behalf the computer hardware and equipment specified in **Appendix A** hereto and to provide that hardware and equipment to Licensee at Licensee's cost set forth in **Appendix B** for Licensee's use with the Licensed System. Licensee acknowledges Licensor does not manufacture any of that hardware and equipment. LICENSOR PROVIDES NO WARRANTY WHATSOEVER FOR ANY HARDWARE OR EQUIPMENT PROVIDED TO LICENSEE. THAT HARDWARE AND EQUIPMENT IS PROVIDED BY LICENSOR STRICTLY AS IS. The original manufacturer of that hardware and equipment may, however, provide warranties that may be passed through or otherwise available to Licensee. If so, Licensor will assist Licensee in obtaining any such warranties for Licensee's benefit and use. Licensee shall not, however, hold Licensor responsible in any way for any defects or damage in the hardware or equipment not caused solely by Licensor's intentional misconduct.

30. Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after sending by telecopy or comparable electronic system or via overnight courier or two (2) business days after placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party's principal offices first above written or at its most current principal business address of which the notifying party has been notified.

31. Assignment and Sublicense. This Agreement and any of Licensee's rights with respect to use of the Licensed System is personal in nature and may not be assigned, sublicensed, used to provide business services at any location other than designated in **Appendix C** of this Agreement, or otherwise transferred by Licensee without prior written consent from Licensor.

32. Benefit. This Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors in the interest and permissible assigns of the parties to this Agreement.

33. Taxes. Licensee shall pay all sales, property, excise, use and other federal, state or local taxes and charges hereinafter due and payable by reason of this Agreement of the Licensed System or its use or possession of the same by Licensee. If a certificate of exemption or similar document is to be used in order to exempt Licensee from such liability, Licensee shall furnish a copy of such certificate or document to Licensor upon request.

34. Severability. If any portion of this Agreement is found to be invalid or unenforceable, such portion of the Agreement shall be narrowed to the extent necessary to make it valid and enforceable. If any portion of this Agreement cannot be so narrowed, the remaining portions of this Agreement shall remain in full force and effect and shall continue to be binding upon the parties.

35. Waiver. Failure of either party to this Agreement to exercise any of its rights under this Software License Agreement in a particular instance shall not be construed as a waiver of those rights or any other rights under this Agreement for any purpose.

36. Resolution of Disputes. The parties agree that all controversies, disputes or claims arising out of or related to this Agreement, the relationship between Licensor and Licensee and the validity of this Agreement must be submitted for binding arbitration in accordance with Section 19.1 of the Franchise Agreement, the provisions of which are incorporated and adopted herein, in their entirety, as though copied *in extenso*.

37. Adoption and Incorporation of Certain Provisions of the Franchise Agreement. The parties hereby agree that the following provisions which are set forth in the Franchise Agreement shall have equal applicability to and under this Agreement, to-wit: Section 20.5 (Governing Law), Section 20.6 (Choice of Forum), Section 20.7 (Jury Trial Waiver), Section 20.8 (Punitive Damage Waiver), Section 20.9 (Limitation of Actions), Section 20.12 (Attorneys' Fees), and Section 20.18 (Compliance with Anti-Terrorism Laws). Each of the foregoing provisions are copied herein and adopted by the parties to this Agreement in their entirety.

38. Delay. Licensor shall not be deemed to be in default of any provision of this Agreement or for failures in performance under this Agreement resulting from acts or events beyond the reasonable control of Licensor, including, but not limited to, delays in transportation, storms, extreme weather conditions, fire, explosion, flood, strike, riot, war, mobilization, civil unrest, import or export circumstances, failure or unavailability of communications, power or telephone lines, supplies or service, delay in delivery, failure or malfunction of equipment or of software not directly supplied and supported by Licensor, or other similar catastrophes, or other acts of God.

39. Export Control. Software, including technical data, is subject to U.S. export control laws, including the U.S. Export Administration Act and its associated regulations, and may be subject to export or import regulations in other countries. Specifically, the Licensed Software may not be exported or re-exported (a) into any U.S. embargoed countries or (b) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals or the U.S. Department of Commerce Denied Person's List or Entity List. The Franchisee may not use the Licensed Software in violation of this Agreement or in violation of United States law, including laws which prohibit, without limitation, the development, design, manufacture or production of nuclear, missiles, or chemical or biological weapons.

40. Terms and Conditions Regarding Use of Microsoft Software. Licensor is providing certain Microsoft software products to Licensee as a service by Licensor. These products include computer software and may include associated media, printed materials, and "online" or electronic documentation. The license terms for the Microsoft software products is set forth in the Customer License Terms attached as **Appendix D**, which is incorporated herein by this reference.

41. Amendment. No one has authority to amend this Agreement on behalf of Licensors except an officer of Licensors in writing.

BYRIDER FRANCHISING, LLC
("Licensor")

«Name_of_Franchisee», «Entity_Type»
("Licensee")

Signature: _____
Craig S. Peters, President

Signature: _____
«Signatory»«Signatory_Title»

Date: «Month» «Day», «Year»

Date: «Month» «Day», «Year»

EXHIBIT 1

INFRASTRUCTURE STANDARDS

Infrastructure Standards are designed to include hardware, software, or networking changes that create major benefits for the franchise. In some instances, these changes from the existing standards may be considerable, and therefore, possibly costly in monetary and/or other resources for the franchise system. Infrastructure Standards require that the standard be adopted by everyone within the franchise system without exception.

Some past examples of major Infrastructure Standard changes include the centralization of servers to the corporate facility, the change from frame-relay networking to Internet based connections, and the requirement for franchisees to implement a standardized Cisco firewall environment.

No current changes to Infrastructure Standards are being considered or anticipated, but a few theoretical examples can be discussed for illustrative purposes. The wide range of reasons and needs that would involve a change to Infrastructure Standards precludes any chance to define a range of costs that may be involved.

Example 1: If the Internet were to become unstable or insecure for business processes in some way, it would be necessary to consider a different network topology. This drastic change would require franchisees and corporate to acquire new network services, and probably invest in new networking technology. Requiring this change would be an Infrastructure Standard.

Example 2: If a fundamental software component from a vendor had a significant cost increase and no reasonable alternative existed to avoid the cost, this would be considered a change to an Infrastructure Standard.

Example 3: A legal requirement develops where compliance requires new software or hardware expense. The implementation costs may be considered changes to Infrastructure Standards.

Example 4: The danger of viruses and other malware reaches a point where the current suggestion that all PC's have active antivirus software installed, needs to become an absolute requirement. This change would be an Infrastructure Standard change.

APPENDIX A

Licensee Technology System Requirements Per Location

Example as of January 2023:

Your requirements and specifics may vary. Quantity and exact model types will be determined on a case-by-case basis. Typical items and quantities are stated below. All prices are approximate and subject to change. All costs are U.S. dollars.

Required Items	Quantity	Approximate Cost
Business-class Internet connection (25 Mbps minimum)	1 or 2	Varies by service and location
Google Access and Services *	Per active user	\$108.00 annually
Remote VPN Software	Each user	\$350 per location

*This item is billed each month (\$9.00) and is a required maintenance fee.

APPENDIX B

License Fees

Initial Fee: N/A

Data Conversion Fee: N/A

Monthly Usage Fee: \$0.00

Custom Support Fee: \$0.00

Recurring Fees:

Costs are representative as of January 2023.

Retail Installment Contract Usage: \$3.95 per form, billed quarterly in advance based upon expected usage.

Finance By Phone: \$2.95 per Lead.

Credit/Debit Card per transaction fee of \$0.27 - \$0.38.

Moneygram per transaction fee of \$1.00.

Notice of Incompleteness: \$1.00 - \$1.35 per consumer letter, billed quarterly.

Maintenance Fee to Third Party Vendors: [to be determined]

APPENDIX C

Licensed Location

Street Address:	«C_Street»
City:	«C_City»
County:	«C_County»
State/Province:	«C_State»
Country:	«C_Country»

APPENDIX D

END USER LICENSE TERMS

TERMS AND CONDITIONS REGARDING USE OF MICROSOFT SOFTWARE

This document governs the use of Microsoft software, which may include associated software, media, printed materials, and “online” or electronic documentation (individually and collectively, “Products”) provided by Byrider Franchising, LLC (hereinafter referred to as “Customer”). Customer does not own the Products and the use thereof is subject to certain rights and limitations of which Customer must inform you. Your right to use the Products is subject to the terms of your agreement with Customer, and to your understanding of, compliance with, and consent to the following terms and conditions, which Customer does not have authority to vary, alter, or amend.

1. DEFINITIONS.

“Client Software” means software that is installed on a Device that allows the Device to access or utilize the Products.

“Device” means each of a computer, workstation, terminal, handheld PC, pager, telephone, personal digital assistant, “smart phone,” server or other electronic device.

“End User” means an individual or legal entity that obtains Software Services directly from Customer, or indirectly through a Software Services Reseller.

“Redistribution Software” means the software described in Paragraph 4 (“Use of Redistribution Software”) below.

“Software Services” means services that Customer provides to you that make available, display, run, access, or otherwise interact, directly or indirectly, with the Products. Customer must provide these services from data center(s) through the Internet, a telephone network or a private network, on a rental, subscription or services basis, whether or not Customer receives a fee. Software Services exclude any services involving installation of a Product directly on any End User device to permit an End User to interact with the Product.

2. **OWNERSHIP OF PRODUCTS.** The Products are licensed to Customer from an affiliate of the Microsoft Corporation (collectively “Microsoft”). Microsoft Products are protected by copyright and other intellectual property rights. Products and other Product elements including but not limited to any images, photographs, animations, video, audio, music, text and “applets” incorporated into the Products are owned by Microsoft or its suppliers. You may not remove, modify or obscure any copyright trademark or other proprietary rights notices that are contained in or on the Products. The Products are protected by copyright laws and international copyright treaties, as well as other intellectual property laws and treaties. Your possession, access, or use of the Products does not transfer any ownership of the Products or any intellectual property rights to you.

3. **USE OF CLIENT SOFTWARE.** You may use the Client Software installed on your Devices only in accordance with your agreement with Customer and the terms under this document, and only in connection with the Software Services, provided to you by Customer. The terms of this document permanently and irrevocably supersede the terms of any Microsoft End User License Agreement that may be presented in electronic form during the installation and/or use of the Client Software.

4. **USE OF REDISTRIBUTION SOFTWARE.** In connection with the Software Services provided to you by Customer, you may have access to certain “sample,” “redistributable” and/or software development (“SDK”) software code and tools (individually and collectively “Redistribution Software”). **YOU MAY NOT USE, MODIFY, COPY, INSTALL AND/OR DISTRIBUTE ANY CLIENT SOFTWARE AND/OR REDISTRIBUTION SOFTWARE.** Microsoft does not permit you to use any Redistribution Software

unless you expressly agree to and comply with such additional terms, as provided to you by Customer.

5. **COPIES.** You may not make any copies of the Products; provided, however, that you may (a) make one copy of Client Software on your Device as expressly authorized by Customer; and (b) you may make copies of certain Redistribution Software in accordance with Paragraph 4 (Use of Redistribution Software). You must erase or destroy all such Client Software and/or Redistribution Software upon termination or cancellation of your agreement with Customer, upon notice from Customer or upon transfer of your Device to another person or entity, whichever occurs first. You may not copy any printed materials accompanying the Products.
6. **LIMITATIONS ON REVERSE ENGINEERING, DECOMPILE AND DISASSEMBLY.** You may not reverse engineer, decompile, or disassemble the Products, except and only to the extent that applicable law, notwithstanding this limitation, expressly permits such activity.
7. **NO RENTAL.** You may not rent, lease, lend, pledge, or directly or indirectly transfer or distribute the Products to any third party, and may not permit any third party to have access to and/or use the functionality of the Products except for the sole purpose of accessing the functionality of the Products in the form of Software Services in accordance with the terms of this agreement and any agreement between you and Customer.
8. **TERMINATION.** Without prejudice to any other rights, Customer may terminate your rights to use the Products if you fail to comply with these terms and conditions. In the event of termination or cancellation of your agreement with Customer or Customer's agreement with Microsoft under which the Products are licensed, you must stop using and/or accessing the Products, and destroy all copies of the Products and all of their component parts within thirty (30) days of the termination of your agreement with Customer.
9. **NO WARRANTIES, LIABILITIES OR REMEDIES BY MICROSOFT.** Microsoft disclaims, to the extent permitted by applicable law, all warranties and liability for damages by Microsoft or its suppliers for any damages and remedies whether direct, indirect or consequential, arising from the Software Services. Any warranties and liabilities are provided solely by Customer and not by Microsoft, its affiliates or subsidiaries.
10. **PRODUCT SUPPORT.** Any support for the Software Services is provided to you by Customer or a third party on Customer's behalf and is not provided by Microsoft, its suppliers, affiliates or subsidiaries.
11. **NOT FAULT TOLERANT.** The Products are not fault-tolerant and are not guaranteed to be error free or to operate uninterrupted. You must not use the Products in any application or situation where the Product(s) failure could lead to death or serious bodily injury of any person, or to severe physical or environmental damage ("High Risk Use").
12. **EXPORT RESTRICTIONS.** The Products are subject to U.S. export jurisdiction. Customer must comply with all applicable laws including the U.S. Export Administration Regulations, the International Traffic in Arms Regulations, as well as end-user, end-use and destination restrictions issued by U.S. and other governments. For additional information, see <http://www.microsoft.com/exporting/>.
13. **LIABILITY FOR BREACH.** In addition to any liability you may have to Customer, you agree that you will also be legally responsible directly to Microsoft for any breach of these terms and conditions.
14. **INFORMATION DISCLOSURE.** You must permit Customer to disclose any information requested by Microsoft under the Customer's Agreement. Microsoft will be an intended third party beneficiary of your agreement with Customer, with the right to enforce provisions of your agreement with Customer and to verify your compliance.

EXHIBIT E
TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

DISCLOSURE ACKNOWLEDGMENT STATEMENT

BYRIDER FRANCHISING, LLC (“Franchisor”), through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights (“Franchisee”), fully understands and comprehends that the purchase of a BYRIDER sales finance franchise is a business decision, complete with its associated risks, and (b) that Franchisee is not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by the Franchisor. In that regard, the undersigned acknowledges that:

1. The Franchisee recognizes and understands that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including, among other things, the skills and abilities of the Franchisee, the hours worked by the Franchisee, competition, interest rates, the economy, inflation, business location, operation costs, lease terms and costs and the market place. The Franchisee hereby acknowledges its awareness of and willingness to undertake these business risks.

2. The Franchisee acknowledges receipt of the Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”). The Franchisee acknowledges that it has had the opportunity to personally and carefully review these documents. Furthermore, the Franchisee has been advised to seek professional assistance, to have professionals review the documents and to consult with other franchisees regarding the risks associated with the purchase of the franchise.

3. The Franchisee agrees and states that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances, warranties, guarantees or promises made by the Franchisor or any of its officers, employees or agents (including any franchise broker) as to the likelihood of success of the franchise. Except as contained in the Franchisor’s FDD, the Franchisee acknowledges that it has not received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted franchise sales, profits or earnings. If the Franchisee believes that it has received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the FDD, please describe these in the space provided below or write “None.”

The Franchisee further acknowledges that the President of the United States of America has issued Executive Order 13224 (the “Executive Order”) prohibiting transactions with terrorists

and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly or indirectly involved in terrorism. For that reason, the Franchisee hereby certifies that neither it nor any of its employees, agents, or representatives, nor any other person or entity associated with the Franchisee, is:

- i. a person or entity listed in the Annex to the Executive Order;
- ii. a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- iii. a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- iv. owned or controlled by terrorists or sponsors of terrorism.

The Franchisee further covenants that neither it nor any of its employees, agents, or representatives, nor any other person or entity associated with the Franchisee, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this «Day» day of «Month», «Year».

FRANCHISEE:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

Signature

Print Name: «Signatory» _____

Signature

Print Name: _____

Sign here if you are taking the franchise as a
**CORPORATION or LIMITED LIABILITY
COMPANY**

Print Name of Legal Entity

By: _____
Signature

Print Name: _____
Title: _____

EXHIBIT F

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

REQUIRED LEASE ADDENDUM

TO LEASE AGREEMENT DATED _____

BY AND BETWEEN

_____, AS "LANDLORD"

AND

_____, AS "TENANT" FOR THE DEMISED
PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a Byrider business at the Premises, and that Tenant's rights to operate a Byrider business and to use the Byrider® name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Byrider Franchising, LLC ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights remedies under such collateral assignment or as a result of Franchisor's termination of the Franchise Agreement due to Franchisee's breach or termination of the Franchise Agreement by Franchisee without cause, or Franchisor's exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Use of Premises. Without limitation of uses permitted under the Lease, but in expansion thereof, Tenant shall have the right to use the Premises for purposes of operating a business offering used vehicles and, in connection therewith, financing services, under the Byrider name and marks.

3. Compliance of Premises With Applicable Law; Parking. Landlord represents and warrants that as of the date hereof the Premises are in compliance with all applicable law, including without limitation parking sufficient to comply with the use of the Premises as provided in paragraph 2 above. Tenant shall have the right to use parking spaces for its guests, invitees and employees in an amount at least sufficient to comply with applicable zoning and other laws. The use of the parking spaces is provided by Landlord to Tenant without additional charge.

4. Radius/Relocation. Any radius restrictions or relocation provisions found in the Lease are hereby deleted and of no further force or effect.

5. Tenant's Signage. Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

5.1. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

5.2. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

6. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) 30 days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Byrider Franchising, LLC
Attention: Legal Department
12802 Hamilton Crossing Blvd.
Carmel, Indiana 46032

7. Non-disturbance from Mortgage Lenders. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to paragraph 6 immediately above).

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED

A) ☐ Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

B) ☐ A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor.

8. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

9. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the assets). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's business as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Byrider name or trademarks, service marks or other commercial symbols of Franchisor.

10. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

11. Copy of Lease. Landlord agrees to provide Franchisor with a copy of the fully-executed Lease within ten (10) days of its full execution by Landlord and Tenant to the address shown in paragraph 6 above.

12. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same.

13. Compliance with Lease Obligations. Nothing in this Addendum shall nullify Tenant's obligation to pay timely rent and comply with all other terms and conditions of the lease.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

TENANT: _____

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT G

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

AFFILIATED ENTITY JOINDER

_____ (“Affiliate”), an affiliate of «Name of Franchisee», «Entity Type» (“Franchisee”), acknowledges and agrees that it is the owner of the real estate located at _____ (“Business Location”) and that it has leased the Business Location to Franchisee for the operation of a Byrider business pursuant to that certain Franchise Agreement dated «Month» «Day», «Year» by and between Byrider Franchising, LLC (“Franchisor”) and Franchisee (the “Franchise Agreement”). Affiliate agrees that upon termination of the Franchise Agreement by Franchisor due to Franchisee’s breach or termination by Franchisee without cause prior to the scheduled expiration of this Agreement according to 5.1 herein, and upon written request of Byrider Franchising, LLC, Affiliate will lease the Business Location to Franchisor or its designee at fair market rent for the operation of a Byrider business for a term of two (2) years. Affiliate acknowledges and agrees that nothing contained herein shall obligate Franchisor to lease the Business Location.

AFFILIATE: _____

By: _____

Name: _____

Title: _____

EXHIBIT H

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

OWNER’S JOINDER

In consideration of, and as a condition to, the grant by BYRIDER FRANCHISING, LLC (“Company”) to «Name of Franchisee», «Entity Type» (“Franchisee”) of the franchise rights set forth in that certain Franchise Agreement, the undersigned owners of Franchisee hereby agree to be personally bound by the provisions of this Agreement applicable to them, including those contained in Section 7.16 (Confidential Information), Article XIV (Transfer of Franchise), Article XVIII (Covenant Not to Compete), Article XIX (Arbitration).

Signature: _____
Name: _____

Signature: _____
Name: _____

Signature: _____
Name: _____

Signature: _____
Name: _____

AFFIDAVIT OF OWNERSHIP

I, «Signatory», being first duly sworn upon my oath, depose and say:

1. That I am «Signatory Title» for «Name of Franchisee», «Entity Type» ("Franchisee") and «Signatory Title» for «CoFranchisee» ("Co-Franchisee") and have direct access to the ownership records of Franchisee and Co-Franchisee.

2. That the current stockholders/members for Franchisee and Co-Franchisee are as shown below:

A. Franchisee: **«Name of Franchisee», «Entity Type»**

<u>Stockholder/Member</u>	<u>% Ownership</u>	<u>Stockholder/Member</u>	<u>% Ownership</u>
1) _____	_____ %	6) _____	_____ %
2) _____	_____ %	7) _____	_____ %
3) _____	_____ %	8) _____	_____ %
4) _____	_____ %	9) _____	_____ %
5) _____	_____ %	10) _____	_____ %

B. Co-Franchisee: **«CoFranchisee»**

1) _____	_____ %	6) _____	_____ %
2) _____	_____ %	7) _____	_____ %
3) _____	_____ %	8) _____	_____ %
4) _____	_____ %	9) _____	_____ %
5) _____	_____ %	10) _____	_____ %

3. That I will notify Byrider Franchising, LLC, attn. Legal Dept., prior to any changes of ownership.

Further affiant saith not.

DATED this «Day» day of «Month», «Year».

Affiant, «Signatory»

STATE OF _____
COUNTY OF _____, SS:

Subscribed and sworn to before me this _____ day of _____, 20____.

My Commission Expires: _____

County of Residence: _____

Notary Public

BYRIDER AND CNAC OPERATIONS

LEGAL NAME REQUIREMENTS

THE LEGAL NAMES YOU CREATE FOR OPERATING YOUR BYRIDER AND CNAC ENTITIES SHALL BE AS FOLLOWS OR SIMILAR:

BYRIDER ENTITY: [your initials] Automotive
CNAC ENTITY: [your initials] Finance

FOR EXAMPLE:

JBH Automotive, LLC
JBH Finance, LLC

EXHIBIT C
TO
FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT (Traditional Franchisee)

This Area Development Agreement (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between Byrider Franchising, LLC ("Company" or "we" or "us") and _____ ("Franchisee" or "you").

RECITALS

A. Company and Franchisee entered into that certain franchise agreement dated _____ (the "Initial Franchise Agreement"), pursuant to which Franchisee undertook the obligation to own and operate Franchisee's Business. Capitalized terms use but not defined in this Agreement shall have the meanings given to them in the Initial Franchise Agreement.

B. Franchisee would like the option to acquire additional franchises to develop and operate Businesses, and Company agrees to grant Franchisee such rights subject to the terms and conditions in this Agreement.

AGREEMENT

1. Exclusive Development Area. Subject to the provisions of this Area Development Agreement, Franchisee shall have the exclusive right to purchase Byrider franchises to be located within _____ (collectively, the "Exclusive Development Area"); provided, however, Company reserves and retains the right, but shall not be obligated, to:

- (i) Establish, operate and franchise a business offering and selling products and/or services which may be the same as or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks;
- (ii) Use or license the use of the Marks to any business located outside of the Exclusive Development Area;
- (iii) Acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;
- (iv) Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, or by another business; and
- (v) Engage in all other activities not expressly prohibited by this Agreement.

Initial Protected Territory. Franchisee's initial Protected Territory ("Initial Protected Territory") for each franchise opened pursuant to this Area Development Agreement shall be as follows:

<u>City Location</u>	<u>Initial Protected Territory</u>
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location

2. Development Schedule. Both parties acknowledge and agree that a material provision of this exclusive right is that the following number of franchises must be opened by Franchisee and continuously operating in the Exclusive Development Area during the term of this Area Development Agreement in accordance with the following development schedule:

<u>Required Franchises</u>	<u>Opening Date</u>	<u>City Location*</u>
1st franchise:	Within 1 year after the date of this Area Development Agreement	Within Exclusive Development Area
2nd franchise:	Within 3 years after 1 st franchise opening date	Within Exclusive Development Area
3rd franchise:	Within 2 years after 2 nd franchise opening date	Within Exclusive Development Area
4th franchise:	Within 2 years after 3 rd franchise opening date	Within Exclusive Development Area

*The site for each location must be approved by the Company prior to Franchisee securing each site.

A. Reasonableness of Development Schedule. The Franchisee approves of the foregoing development schedule as being reasonable and viable, and recognizes the development schedule is necessary to insure acceptable Byrider development of the Exclusive Development Area.

B. Initial Franchise Fee. The initial franchise fees are as follows:

1.	1st franchise:	\$60,000.00
2.	2nd franchise:	\$35,000.00
3.	3rd franchise:	\$35,000.00
4.	4th franchise:	<u>\$35,000.00</u>

Total fee:	\$165,000.00
------------	--------------

C. Payment Upon Closing. In conjunction with the execution of this Area Development Agreement, Franchisee shall pay to the Company \$112,500.00, which represents the Initial Franchise Fee of \$60,000.00 for the 1st franchise and a Development Fee of \$17,500.00 for each of the 2nd-4th franchises. The Development Fee of \$17,500.00 for each franchise shall be applied toward the Initial Franchise Fee for each of the 2nd-4th franchises, respectively, developed under the terms of this Area Development Agreement. The remaining \$17,500.00 due for each of the 2nd-4th franchises shall be paid upon Franchisee's execution of the franchise agreement for the particular franchise. All fees paid under this Area Development Agreement are nonrefundable.

D. Franchise Agreements. At least sixty (60) days prior to opening the second and each succeeding franchise, Franchisee shall sign a then-current franchise agreement.

E. Development Schedule Extension Fee. If Franchisee is unable to develop a Business in accordance with the Development Schedule required under this Agreement, Franchisee may request, and the Company may grant Franchisee a six-month extension and charge Franchisee an extension fee, instead of terminating this Agreement. Franchisee must pay the Company \$5,000 per extension, which is paid in a lump sum, due when Franchisee's request is submitted, and is nonrefundable.

3. Use of Marks. Franchisee acknowledges and agrees that the development rights provided in this Agreement do not include any rights or license to use the System, Marks or other intellectual property while exercising Franchisee's development rights. Any and all rights to use the System, the Marks or other intellectual property will come only from the franchise agreements that Franchisee (or its affiliates) signs to operate Businesses.

4. No Subfranchising Rights. This Agreement does not give Franchisee any right to license others to operate Businesses. Only Franchisee or its affiliates that sign franchise agreements with Company may open and operate Businesses.

5. Termination. Company may terminate this Agreement, effective immediately upon delivery of termination notice to Franchisee, if any of the following occurs: (i) Franchisee breaches any of the terms of this Agreement at any time; (ii) Franchisee (or any of its affiliates) has made any material misrepresentation or omission on any application, report, claim, financial statement or similar document submitted to Company in connection with acquiring the development rights hereunder or any franchise rights; or (iii) any franchise agreement executed by Franchisee or any of its affiliates for the operation of a Business is terminated for any reason, including without limitation, the Initial Franchise Agreement.

6. No Assignability. This Agreement and all related rights are not assignable by Franchisee without Company's prior written consent.

7. Miscellaneous. This Agreement is incorporated into and made a part of the Initial Franchise Agreement by this reference. To the extent of any inconsistency between the Initial Franchise Agreement and this Agreement, the terms of this Agreement shall control. All matters arising under the terms of this Agreement will be governed by the rules of construction and dispute resolution under the Initial Franchise Agreement. This Agreement may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. The

parties agree that scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

8. This Agreement and all related agreements executed simultaneously with this Agreement constitute the entire understanding of the parties and supersede any and all prior oral or written agreements between you and us on the matters contained in this Agreement; but nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.

Byrider Franchising, LLC

By _____
Craig S. Peters, Pres.

Date

AREA DEVELOPMENT AGREEMENT (Ultra Franchisee)

This Area Development Agreement (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between Byrider Franchising, LLC ("Company" or "we" or "us") and _____ ("Franchisee" or "you").

RECITALS

A. Company and Franchisee entered into that certain franchise agreement dated _____ (the "Initial Franchise Agreement"), pursuant to which Franchisee undertook the obligation to own and operate Franchisee's Business. Capitalized terms use but not defined in this Agreement shall have the meanings given to them in the Initial Franchise Agreement.

B. Franchisee would like the option to acquire additional franchises to develop and operate Businesses, and Company agrees to grant Franchisee such rights subject to the terms and conditions in this Agreement.

AGREEMENT

1. Exclusive Development Area. Subject to the provisions of this Area Development Agreement, Franchisee shall have the exclusive right to purchase Byrider franchises to be located within _____ (collectively, the "Exclusive Development Area"); provided, however, Company reserves and retains the right, but shall not be obligated, to:

- (i) Establish, operate and franchise a business offering and selling products and/or services which may be the same as or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks;
- (ii) Use or license the use of the Marks to any business located outside of the Exclusive Development Area;
- (iii) Acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;
- (iv) Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, or by another business; and
- (v) Engage in all other activities not expressly prohibited by this Agreement.

Initial Protected Territory. Franchisee's initial Protected Territory ("Initial Protected Territory") for each franchise opened pursuant to this Area Development Agreement shall be as follows:

<u>City Location</u>	<u>Initial Protected Territory</u>
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location
_____:	____-mile radius surrounding the Business Location

2. Development Schedule. Both parties acknowledge and agree that a material provision of this exclusive right is that the following number of franchises must be opened by Franchisee and continuously operating in the Exclusive Development Area during the term of this Area Development Agreement in accordance with the following development schedule:

<u>Required Franchises</u>	<u>Opening Date</u>	<u>City Location*</u>
1st franchise:	Within 1 year after the date of this Area Development Agreement	Within Exclusive Development Area
2nd franchise:	Within 3 years after 1 st franchise opening date	Within Exclusive Development Area
3rd franchise:	Within 2 years after 2 nd franchise opening date	Within Exclusive Development Area
4th franchise:	Within 2 years after 3 rd franchise opening date	Within Exclusive Development Area

*The site for each location must be approved by the Company prior to Franchisee securing each site.

A. Reasonableness of Development Schedule. The Franchisee approves of the foregoing development schedule as being reasonable and viable, and recognizes the development schedule is necessary to insure acceptable Byrider development of the Exclusive Development Area.

B. Initial Franchise Fee. The initial franchise fees are as follows:

1.	1st franchise:	\$60,000.00
2.	2nd franchise:	\$40,000.00
3.	3rd franchise:	\$40,000.00
4.	4th franchise:	<u>\$40,000.00</u>

Total fee:	\$180,000.00
------------	--------------

C. Payment Upon Closing. In conjunction with the execution of this Area Development Agreement, Franchisee shall pay to the Company \$120,000.00, which represents the Initial Franchise Fee of \$60,000.00 for the 1st franchise and a Development Fee of \$20,000.00 for each of the 2nd-4th franchises. The Development Fee of \$20,000.00 for each franchise shall be applied toward the Initial Franchise Fee for each of the 2nd-4th franchises, respectively, developed under the terms of this Area Development Agreement. The remaining \$20,000.00 due for each of the 2nd-4th franchises shall be paid upon Franchisee's execution of the franchise agreement for the particular franchise. All fees paid under this Area Development Agreement are nonrefundable.

D. Franchise Agreements. At least sixty (60) days prior to opening the second and each succeeding franchise, Franchisee shall sign a then-current franchise agreement.

E. Development Schedule Extension Fee. If Franchisee is unable to develop a Business in accordance with the Development Schedule required under this Agreement, Franchisee may request, and the Company may grant Franchisee a six-month extension and charge Franchisee an extension fee, instead of terminating this Agreement. Franchisee must pay the Company \$5,000 per extension, which is paid in a lump sum, due when Franchisee's request is submitted, and is nonrefundable.

3. Use of Marks. Franchisee acknowledges and agrees that the development rights provided in this Agreement do not include any rights or license to use the System, Marks or other intellectual property while exercising Franchisee's development rights. Any and all rights to use the System, the Marks or other intellectual property will come only from the franchise agreements that Franchisee (or its affiliates) signs to operate Businesses.

4. No Subfranchising Rights. This Agreement does not give Franchisee any right to license others to operate Businesses. Only Franchisee or its affiliates that sign franchise agreements with Company may open and operate Businesses.

5. Termination. Company may terminate this Agreement, effective immediately upon delivery of termination notice to Franchisee, if any of the following occurs: (i) Franchisee breaches any of the terms of this Agreement at any time; (ii) Franchisee (or any of its affiliates) has made any material misrepresentation or omission on any application, report, claim, financial statement or similar document submitted to Company in connection with acquiring the development rights hereunder or any franchise rights; or (iii) any franchise agreement executed by Franchisee or any of its affiliates for the operation of a Business is terminated for any reason, including without limitation, the Initial Franchise Agreement.

6. No Assignability. This Agreement and all related rights are not assignable by Franchisee without Company's prior written consent.

7. Miscellaneous. This Agreement is incorporated into and made a part of the Initial Franchise Agreement by this reference. To the extent of any inconsistency between the Initial Franchise Agreement and this Agreement, the terms of this Agreement shall control. All matters arising under the terms of this Agreement will be governed by the rules of construction and dispute resolution under the Initial Franchise Agreement. This Agreement may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. The

parties agree that scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

8. This Agreement and all related agreements executed simultaneously with this Agreement constitute the entire understanding of the parties and supersede any and all prior oral or written agreements between you and us on the matters contained in this Agreement; but nothing in this or any related agreement is intended to disclaim the representations we made in the latest franchise disclosure document that we furnished to you.

Byrider Franchising, LLC

By _____
Craig S. Peters, Pres.

Date

EXHIBIT D
TO
FRANCHISE DISCLOSURE DOCUMENT

Byrider Franchise Directory

Branch locations are enclosed within ().

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner- Managed</u>
<u>Alabama</u>				
AL106	Stephen Locklear*	2700 Skyland Blvd. East Tuscaloosa, AL 35405 205-349-6280	3/9/04	No
AL112	Stephen Locklear*	505 Columbus Pkwy Opelika, AL 36801 334-749-6555	1/25/19	No
<u>Arizona</u>				
AZ103	Wright/Hirst	1455 N. Arizona Avenue Chandler, AZ 85225 480-821-8833	4/10/01	Yes
AZ109	Steven Walden*	1780 E. Benson Hwy Tucson, AZ 85714 520-344-7792	7/2/14	Yes
<u>Arkansas</u>				
AR102	David Hanson*	2737 N. Thompson St. Springdale, AR 72764 479-903-7071	7/9/13	Yes
AR103	Matthew Enderlin*	3301 S. Zero St. Fort Smith, AR 72908 501-975-1100	3/1/15	Yes
AR104	Matthew Enderlin*	1560 E. Oak St. Conway, AR 72032 501-358-6968	4/5/17	Yes
AR105	Matthew Enderlin*	6055 Landers Rd. Sherwood, AR 72117 501-975-1100	7/31/17	Yes
AR106	Matthew Enderlin*	22677 I-30 Bryant, AR 72022 501-213-0010	2/5/20	Yes

Area developers are identified with *.

8/15/2023

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Colorado</u>				
CO107	Rick Steenbock* William Smith, Jr.	6401 Federal Blvd. Denver, CO 80221 303-732-8532	7/30/15	Yes
CO108	Deborah/Peter Flaherty*	1340 Ainsworth St. Colorado Springs, CO 80915	4/7/18	Yes
<u>Connecticut</u>				
CT103	Merriam/Dulitsky*	1187 E. Main St. Meriden, CT 06450 203-443-5400	5/7/14	Yes
<u>Florida</u>				
FL139	Jim Thompson/ Jim Kagiliery	1285 Cassat Avenue Jacksonville, FL 32205 904-425-3000	12/12/01	Yes
FL154	Jim Thompson/ Jim Kagiliery	7701 Park Blvd Pinellas Park, FL 33781 727-369-7777	11/30/10	No
FL161	J./S. Locklear*	704 W. 15 th St. Panama City, FL 32401 850-250-2622	2/21/14	Yes
FL162	Jim Thompson/ Jim Kagiliery	8829 US Hwy 19 Port Richey, FL 34668 727-264-1107	4/25/14	No
FL163	J./S. Locklear*	707 New Warrington Rd. Pensacola, FL 32506 850-361-2800	7/23/15	Yes
FL164	Randy Barson	3907 14 th St. West Bradenton, FL 34205 941-896-9610	7/31/17	Yes
BDFL01	G./M. Vidmar	T.B.D.	7/23/21	Yes
BDFL03	Harry Garber	T.B.D.	2/24/22	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Georgia</u>				
GA108	Paul Hanks	1407 Klondike Rd. Conyers, GA 30094 770-929-0808	10/19/20	Yes
<u>Idaho</u>				
ID101	James Chalfant*	3880 W. Chinden Blvd. Boise, ID 83714 208-472-3100	4/8/13	Yes
ID102	James Chalfant*	516 E. 2nd Street Nampa, ID 83651	7/6/18	Yes
<u>Illinois</u>				
ILC40	Company	1613 W. Pioneer Pkwy Peoria, IL 61615 309-839-8445	7/31/18	Yes
IL105	Kevin Sullivan	441 W. Marketview Drive Champaign, IL 61822 217-355-3100	7/23/91	No
IL115	Michael Burgstone	2323 W. Jefferson Street Joliet, IL 60435 815-207-5500	7/29/02	Yes
IL116	Kevin Sullivan	1709 S. Veteran's Parkway Bloomington, IL 61701 309-665-5000	9/17/02	Yes
IL117	Bob Brady	2190 E. Pershing Road Decatur, IL 62526 217-877-0040	12/18/02	Yes
IL119	Bob Brady/ Steven Gensler	909 S. Dirksen Parkway Springfield, IL 62703 217-522-1801	5/17/06	No
IL121	Michael Burgstone	800 North Avenue Glendale Heights, IL 60139 630-403-3800	10/22/08	No
IL122	Rachel Bachrodt	5695 E. State St. Rockford, IL 61108 815-231-2660	8/26/09	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner- Managed</u>
IL125	Michael Burgstone	750 Dundee Ave. East Dundee, IL 60118 847-246-9300	6/26/12	No
IL130	Michael Burgstone	t.b.d.	12/12/13	No
IL131	Michael Burgstone	300 W. 162 nd St. South Holland, IL 60473 708-232-1740	6/5/15	No
IL132	Jeff Anderson	1710 Vaughn Road Wood River, IL 62095 618-258-8700	10/22/18	No
<u>Indiana</u>				
INCO2	Company	1703 US 31 S. Greenwood, IN 46143 317-865-8200	5/15/94	Yes
INCO3	Company	1525 N. Shadeland Ave. Indianapolis, IN 46219 317-354-4444	1/10/96	Yes
INCO5	Company	575 Sagamore Parkway S. Lafayette, IN 47905 765-449-8200	11/26/96	Yes
INC10	Company	3521 Grape Road Mishawaka, IN 46545 574-344-5390	12/29/99	Yes
IN116	Terry Gerhart	506 E. McGalliard Muncie, IN 47303 765-286-8000	9/23/93	Yes
(IN116A)	Terry Gerhart	1061 Chester Blvd. Richmond, IN 47374 765-962-4171	12/20/94	Yes
(IN116B)	Terry Gerhart	311 S. Scatterfield Rd. Anderson, IN 46012 765-643-6069	12/20/94	Yes
(IN116C)	Terry Gerhart	2425 West 3 rd Street Bloomington, IN 47404 812-333-1776	1/24/96	Yes
(IN116D)	Terry Gerhart	2645 N. National Rd. Columbus, IN 47201 812-348-1255	8/27/97	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
(IN116H)	Terry Gerhart	2116 N. 1 st Avenue Evansville, IN 47710 812-426-2500	12/28/98	Yes
IN124	Aaron Zeigler	310 E. Washington Center Rd. Ft. Wayne, IN 46825 260-209-5071	1/24/13	No
IN125	Robert Boyce	1186 E. Markland Ave. Kokomo, IN 46904 765-553-5200	1/3/14	No
IN127	Matt Enderlin	5055 S US Hwy 41 Terre Haute, IN 47802 812-214-4567	6/15/21	No
<u>Iowa</u>				
IA104	Russ Larson*	125 S. Roosevelt Ave. Burlington, IA 52601 319-754-4220	1/15/95	Yes
IA109	Russ Larson*	925 W. Kimberly Rd. Davenport, IA 52806 563-344-9222	1/31/05	Yes
IA110	Russ Larson*	2426 SE 14 th Street Des Moines, IA 50320 515-697-7073	7/2/08	Yes
IA111	Russ Larson*	3837 First Ave. SE Cedar Rapids, IA 52402 319-866-7179	8/19/08	Yes
<u>Kentucky</u>				
KY104	Jeff Anderson	250 E. 18 th Street Owensboro, KY 42303 270-684-7669	1/14/08	No
KY106	Charles Rashid* Mitchell Rashid	770 E. New Circle Rd. Lexington, KY 40505 859-523-8457	3/4/13	Yes
KY108	Mark Morris	2813 Winchester Ave. Ashland, KY 41101	3/24/21	No
KY109	Matt Enderlin	2210 Russellville Rd. Bowling Green, KY 42101	5/24/22	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
BDKY01	Harry Garber	6507 Preston Highway Louisville, KY 40219 502-574-9090	12/5/22	Yes
BDKY02	Harry Garber	T.B.D.	12/15/22	Yes
KYC27	Company	6619 Dixie Highway Florence, KY 41042 859-746-0043	12/1/12	Yes
<u>Louisiana</u>				
LA110	Barry Biggers	1107 Oliver Road Monroe, LA 71201 318-450-3490	9/8/20	No
<u>Massachusetts</u>				
MA102	Gerard Vachon*	957 Washington Street S. Attleboro, MA 02703 508-761-1111	10/29/99	Yes
MA104	Trevor Wiggins	331 State Rd. (Route 6) Dartmouth, MA 02747 508-992-0000	4/3/02	No
<u>Michigan</u>				
MI105	Harold Zeigler	3227 S. Westnedge Ave. Kalamazoo, MI 49008 269-375-8778	6/28/00	No
MI108	Harold Zeigler	4811 South Cedar St. Lansing, MI 48910 517-882-3690	1/24/03	No
MI109	Jamie Marsh*	1788 Barlow St. Traverse City, MI 49686 231-932-7900	10/2/08	No
MI113	Jamie Marsh*	6011 Bay Road Saginaw, MI 48604 989-401-8899	4/17/15	Yes
MI115	Jeff Anderson	2215 US Hwy 31 N Petoskey, MI 49770 231-347-3200	10/31/11	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
MI116	Jamie Marsh*	2675 SW 28th St. Wyoming, MI 49519	2/28/20	No
<u>Missouri</u>				
MO109	Russ Larson*	1226 S. Glenstone Ave. Springfield, MO 65804 417-863-6500	3/21/13	No
MO110	Terry Gerhart	2520 Burlington St. N. Kansas City, MO 64116 816-612-8787	9/9/13	No
MO112	Lawrence West, Sr.*	2603 N. Bishop Ave. Rolla, MO 65401 573-426-2620	9/21/15	Yes
MO113	Russ Larson*	3215 E. 20 th St. Joplin, MO 64801 417-208-0451	11/3/16	No
MO114	Winston Sleeth	608 Business Loop 70 West Columbia, MO 65203 573-817-1700	6/21/21	No
MO115	Lawrence West	T.B.D.	6/6/22	No
<u>Mississippi</u>				
MS104	Barry Biggers	2600 HWY. 80E Pearl, MS 39208 601-939-7151	3/3/00	No
MS105	Barry Biggers	5719 I-55 N. Frontage Rd. Jackson, MS 39206 769-524-3336	11/30/12	No
<u>New Hampshire</u>				
NH101	Richard Domaleski*	782 Gold St. Manchester, NH 03103 603-370-3360	6/3/14	Yes
<u>New York</u>				
NY107	Thomas Hoffman, Jr.*	2017 Central Ave. Colonie, NY 12205 518-396-5060	8/13/12	Yes

Area developers are identified with *.

8/15/2023

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>North Carolina</u>				
NC106 BDNC01	Lloyd Thomas/ Christopher Thomas	5101 New Bern Avenue Raleigh, NC 27610 919-268-4790	4/4/07	No
NC109 BDNC02	Lloyd Thomas/ Christopher Thomas	3601 Durham-Chapel Hill Blvd Durham, NC 27707 919-442-0423	9/10/12	No
NC112	Chris McPhie	7401 South Blvd. Charlotte, NC 28273 704-496-7730	1/5/15	Yes
NC113	Chris McPhie	T.B.D.	4/26/16	No
<u>Ohio</u>				
OH130	Chris McPhie	777 Canton Rd. Akron, OH 44312 330-733-8828	10/15/02	Yes
OH132	Dennis Ange	20941 Euclid Ave. Euclid, OH 44117 216-486-6400	9/30/01	Yes
OH140	Chris McPhie	1810 W. 4 th St. Mansfield, OH 44906 419-529-2515	12/2/04	No
OH142	Chris McPhie	4536 Cleveland Road Wooster, OH 44691 330-345-4565	5/17/08	No
OH148	Chris McPhie	3000 W. Tuscarawas St. Canton, OH 44708 330-458-0000	12/31/09	No
OH152	Chris McPhie	3420 North Ridge East Ashtabula, OH 44004 440-992-3900	8/6/12	No
OH155	Chris McPhie	7550 Leavitt Rd. Amherst, OH 44001 440-988-3000	12/26/22	No
OH156	Chris McPhie	5250 Brookpark Road Parma, OH 44134 216-398-7000	12/26/22	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
OHC06	Company	2144 Elida Rd. Lima, OH 45805 567-242-6900	12/10/97	Yes
OHC13	Company	9797 Colerain Ave. Cincinnati, OH 45251 513-923-3999	1/2/00	Yes
OHC18	Company	8581 Beechmont Ave. Cincinnati, OH 45255 513-407-4111	5/21/09	Yes
OHC19	Company	3700 W. Broad St. Columbus, OH 43228 614-456-1717	7/15/11	Yes
OHC21	Company	238 Boardman-Poland Rd. Boardman, OH 44512 330-758-5800	9/30/11	Yes
OHC29	Company	1575 Miamisburg-Centerville Rd. Dayton, OH 45459 937-853-3455	12/1/12	Yes
OHC34	Company	1375 ½ Conant Street Maumee, OH 43537 419-893-2334	8/31/14	No
<u>Pennsylvania</u>				
PA108	Randall Barson	601 State Avenue Emmaus, PA 18049 610-965-1500	5/18/01	Yes
PA110	Lenny Tagliavia	2460 Freemansburg Ave. Easton, PA 18042 484-548-6300	7/20/05	Yes
PA111	Randall Barson	2261 Lancaster Pike Reading, PA 19607 610-777-3500	9/7/05	Yes
PA115	Randall Barson	2140 Sans Souci Pkwy Wilkes-Barre, PA 18706 570-740-2700	4/26/13	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
PA116	Doug Lewis*	701 E. Main St. Palmyra, PA 17078 717-641-3755	4/2/14	Yes
PA117	Charles Driscoll*	3510 W. College Ave. State College, PA 16801 814-954-8182	1/20/15	Yes
PAC22	Company	3500 East State St. Hermitage, PA 16148 724-342-7500	9/30/11	Yes
PAC24	Company	7200 McKnight Rd. Pittsburgh, PA 15237 412-364-1112	9/30/11	Yes
PAC25	Company	4916 William Penn Highway Monroeville, PA 15146 724-733-1400	9/30/11	Yes
PAC38	Company	4125 Peach St. Erie, PA 16509 814-868-0700	8/31/14	No
<u>Rhode Island</u>				
RI101	Trevor Wiggins	615 Reservoir Avenue Cranston, RI 02910 401-781-8500	6/14/96	Yes
<u>South Carolina</u>				
SC105	John Gandolfo	3815 W. Beltline Blvd. Columbia, SC 29204 803-748-9331	11/30/98	Yes
SC114	John Gandolfo	2126 Boland Circle North Charleston, SC 29406 843-614-8200	7/24/08	Yes
SC115	John Gandolfo	2400 Laurens Rd. Greenville, SC 29607 864-412-3900	7/23/13	Yes
<u>Tennessee</u>				
BDTN01	Harry Garber	1525 Gallatin Pike North Madison, TN 37115 615-860-3838	12/12/22	No

Area developers are identified with *.

8/15/2023

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
BDTN02	Harry Garber	1815 NW Broad Street Murfreesboro, TN 37129 629-207-4640	12/12/22	No
<u>Texas</u>				
TX109	James Day	3216 SW Military Drive San Antonio, TX 78211 210-927-1700	5/21/01	Yes
TX112	Mark Bedgood	1007 West Marshall Longview, TX 75604 903-553-2974	3/26/02	Yes
TX114	Mark Bedgood	3908 S SW Loop 323 Tyler, TX 75701 903-509-3100	11/9/04	No
TX115	James Day	11150 IH35 N San Antonio, TX 78233 210-651-1191	2/4/05	No
TX116	James Day	6226 Bandera Road Leon Valley, TX 78238 210-523-0900	4/21/06	No
TX118	Erich Kissick	909 South Beckley Ave. De Soto, TX 75115 469-643-2233	6/4/07	No
TX122	Mark Bedgood	4824 W. Waco Drive Waco, TX 76710 254-300-5377	3/26/12	No
TX128	Christopher Campbell*	8840 Camp Bowie W. Blvd. Ft. Worth, TX 76116 817-632-2900	8/21/18	Yes
TX129	Dale Boone	1906 E. Rancier Ave. Killeen, TX 76541	10/30/19	No
TX131	James Day	1211 19th Street Lubbock, TX 79401	7/16/21	No
<u>Virginia</u>				
VA102	Gary Duncan	3141 Peters Creek Rd. Roanoke, VA 24019 540-527-1900	1/7/99	No

Area developers are identified with *.

8/15/2023

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>West Virginia</u>				
WV104	Jim Park	1328 7th St. Parkersburg, WV 26101 304-428-6221	1/22/03	No
WV105	Jim Park	3129 MacCorkle Ave. SW South Charleston, WV 25303 304-925-5656	2/10/05	No
WV106	Jim Park	1626 East Pike Street Clarksburg, WV 26301 304-624-9898	6/30/06	No
WV107	Jim Park	34 Sterling Drive Morgantown, WV 26505 304-381-2515	9/28/10	No
WV108	Charles Rashid*	4631 Robert C. Byrd Beckley, WV 25801 681-238-5257	3/1/12	Yes
WV109	Jim Park	6018 U.S. 60 Barboursville, WV 25504 304-736-5656	2/21/13	No
<u>Wisconsin</u>				
WI102	Mike Darrow*	4810 S. 27 th St. Milwaukee, WI 53221 414-325-2000	3/10/98	No
WI104	Mike Darrow*	2301 W. College Avenue Appleton, WI 54914 920-749-7979	7/27/01	No
WI107	Mike Darrow*	5234 High Crossing Blvd. Madison, WI 53718 608-663-1213	11/20/00	No
WI110	Mike Darrow*	W226 S1700 Hwy 164 Waukesha, WI 53186 262-506-3131	9/23/96	No
WI111	Richard Francois*	3316 Pontiac Drive Janesville, WI 53545 608-753-5171	1/23/12	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner- Managed</u>
WI112	Mike Darrow*	2805 Ramada Way Green Bay, WI 54304 902-455-7788	4/25/13	No
WI114	Keith Kocourek	2600 N 20 th Ave. Wausau, WI 54403 715-298-0788	8/9/13	Yes
WI115	Richard Francois*	8224 Washington Ave. Racine, WI 53406 262-321-3532	11/25/14	No
WI116	Mike Darrow*	3815 Jackson St. Oshkosh, WI 54901 920-479-7400	12/19/18	No
WI117	Mike Darrow*	44 N. Rolling Meadows Dr. Fond du Lac, WI 54937 262-787-5800	7/29/19	No

EXHIBIT D-2

Franchisees who have signed a Franchise Agreement, but have not yet opened for business:

IL130 Burgstone

MO115 West

NC113 McPhie

EXHIBIT E
TO
FRANCHISE DISCLOSURE DOCUMENT

OPERATIONS MANUALS' TABLES OF CONTENTS AND TRAINING DESCRIPTIONS

This Exhibit E contains the following manual's tables of contents:

- I. SALES OPERATIONS
- II. CNAC OPERATIONS
- III. BYRIDER/CNAC REPORTS
- IV. SERVICE OPERATIONS
- V. ACCOUNTING
- VI. BYRIDER DIRECT

The following training descriptions are provided.

- I. SALES TRAINING
- II. VEHICLE SERVICE OPERATIONS AND MANAGEMENT
- III. CNAC TRAINING
- IV. INITIAL TRAINING PROGRAM
- V. ONTRACK

TABLE OF CONTENTS

INTRODUCTION	1
--------------	---

BYRIDER OPERATIONS OVERVIEW	2
-----------------------------	---

INVENTORY MANAGEMENT	3
----------------------	---

SALES PROCESS OVERVIEW	4
------------------------	---

PROSPECTING	5
-------------	---

SALES PRESENTATION	6
--------------------	---

APPLICATION PROCESS	7
---------------------	---

DESKING THE DEAL	8
------------------	---

WRAPPING UP THE DEAL	9
----------------------	---

SALES ASSOCIATE'S MANAGEMENT OF THEIR WORKPLAN	10
--	----

MANAGING THE SALES DEPARTMENT	11
-------------------------------	----

LEADING THE BYRIDER STAFF	12
---------------------------	----

APPENDIX A - EXHIBITS	
-----------------------	--

APPENDIX B – STANDARDS AND BEST PRACTICES	
---	--

GLOSSARY

PAGE INTENTIONALLY LEFT BLANK

Reformatted 10/31/08

SALES OPERATIONS – TABLE OF CONTENTS

Chapter 1 – Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals.....	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual.....	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS).....	1.10
STANDARD: Compliance Management Systems.....	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response.....	1.11
BEST PRACTICE: Consumer relations representative.....	1.12
Standards in conflict with laws and/or regulations.....	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports.....	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file.....	1.20
Reports usage by position	1.21

Chapter 2 – Byrider Operations Overview

Purpose2.1

Why is Byrider in business?2.1

Byrider Franchising Vision Statement2.1

The Byrider Franchising Values2.2

STANDARD: Code of Ethics2.2

Typical customer.....2.3

What makes us different?2.3

Treatment of the customer2.3

Byrider Franchising Value #12.3

Byrider Franchising Value #22.3

STANDARD: Prohibition against customer abuse2.3

BEST PRACTICE: Appearance.....2.4

Applicant/customer expectations2.5

Customer advancement2.6

Retail Sales & Finance Platform (RSP).....2.6

The Warranty/Vehicle Service Contract2.7

STANDARD: Vehicle service contracts2.7

STANDARD: Warranty and service contracts2.7

Optional GPS Service Contract2.8

Tradition Byrider franchise structure.....2.9

STANDARD: Separation of Byrider and CNAC.....2.9

BEST PRACTICE: Organizational documents2.9

Byrider sales personnel objectives2.10

Byrider software applications.....2.11

Opening more than one window in Discover2.14

PROCEDURE: Opening more than one application at a time in Discover.....2.14

JDB Shortcut Portal aka Discover Portal.....2.15

Chapter 3 – Inventory Management

Purpose	3.1
The inventory management process	3.1
Assessing inventory needs	3.3
Understanding your customer base	3.3
Days of supply	3.3
When to buy	3.4
Inventory mix	3.4
Establishing Inventory Control and Sales Standing Boards goals	3.4
PROCEDURE: Establish store goals – inventory mix	3.4
The role of the buyer	3.7
Identify the inventory source	3.8
Purchasing the inventory	3.9
STANDARD: Byrider Minimum Vehicle Standards	3.9
STANDARD: Title status of vehicles	3.9
PROCEDURE: Accessing the Orangebook	3.11
Byrider's Buyers App	3.13
Buyer's Auction Log	3.13
BEST PRACTICE: The Buyer's Auction Log	3.13
PROCEDURE: Completing the Buyer's Auction Log	3.14
New Vehicle Check In Sheet	3.16
BEST PRACTICE: The New Vehicle Check In Sheet (NVCIS)	3.16
PROCEDURE: Completing the New Vehicle Check In Sheet in Discover	3.16
Vehicle Check In at Lot	3.18
Vehicle recalls	3.18
Entering and tracking inventory in Discover	3.19
Add a vehicle to the inventory	3.19
PROCEDURE: Adding a vehicle to inventory	3.21
PROCEDURE: Locating a vehicle in the Vehicle Module using the "Inventory" tab	3.35
PROCEDURE: Locating a vehicle in the Vehicle Module using the "Search" tab	3.38
PROCEDURE: Generating/printing the Mechanic's and Detailer's Checklists & Buyers Guide	3.40
The Inventory Control Board and reconciling vehicle inventory	3.42
BEST PRACTICE: Maintenance of the Inventory Control Board in the Sales Department	3.42
PROCEDURE: Reconciling vehicle inventory and maintaining the Inventory Control Board	3.43
STANDARD: Retail vehicle pricing	3.43
Create the deal jacket	3.45
BEST PRACTICE: Copy of title for purchased vehicle	3.45
BEST PRACTICE: Titles for inventory	3.45
Service manager's inventory responsibilities	3.46
BEST PRACTICE: Keys for vehicles	3.46
STANDARD: Reconditioning of vehicles	3.46
BEST PRACTICE: Repair approval	3.47
Vehicle Lot-ready Report	3.48
Displaying the vehicles – "The lot line up"	3.48
Daily Driving Log	3.49
BEST PRACTICE: Driving the inventory	3.49
Vehicle inventory management-inventory stats	3.50
BEST PRACTICE: Age of trade in vehicle inventory	3.51
Vehicle inventory management-wholesaling	3.52
Managing aging sales lot vehicles	3.53
PROCEDURE: Discounting a sales lot vehicle's Suggested Sales Price	3.53
Vehicle inventory management – back-offs	3.55
Vehicle inventory management – reposessions	3.55

Transferring a vehicle to a different sales lot.....3.56
PROCEDURE: Transferring a vehicle to a different sales lot3.56
Deleting a vehicle from inventory3.58
PROCEDURE: Deleting a vehicle from inventory3.58
Wholesaling a vehicle3.60
PROCEDURE: Wholesaling a “Bought In” vehicle3.60

Chapter 4 – Sales Process Overview

Purpose4.1
BEST PRACTICE: Sales and finance process.....4.1
Sales Process Redesign4.1
Sales and Finance Process4.2
Sales personnel objectives4.3
Byrider sales personnel actions.....4.3
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B.....4.3
Sales Control/Customer Relationship Management (CRM).....4.4
Customer Relationship Management (CRM)4.5
Discover Sales Control4.6

Chapter 5 – Prospecting

Purpose	5.1
Prospecting for customers	5.2
Byrider prospecting programs	5.3
STANDARD: Notice of Action Taken for Internet and Finance-By-Phone applications	5.4
PROCEDURE: Finance-by-phone site operating procedures	5.5
Internet leads	5.8
Do not call list	5.10
PROCEDURE: Using do not call search in Discover	5.10
Prospecting in your Discover data base	5.12
Grassroots marketing	5.13
Incoming calls	5.14
The cold call	5.16
Using the mail and e-mail for prospecting	5.17
PROCEDURE: Scheduling/generating individual e-mails for prospects/customers	5.18
PROCEDURE: Scheduling/cancelling individual letters for prospects/customers	5.19
PROCEDURE: Generating individually scheduled letters for prospects/customers	5.20
PROCEDURE: Creating and generating a bulk mailing (letters or e-mails) from Discover	5.22
PROCEDURE: Uploading a prospect list into Discover Sales Control	5.27
Using the telephone	5.29
BEST PRACTICE: Incoming telephone calls	5.29
Recording prospect information	5.30
PROCEDURE: Recording prospect information – Discover Sales Control	5.30
PROCEDURE: Recording prospect information - CRM (Customer Relationship Management)	5.34
Recording customer notes and memos in Sales Control	5.36
PROCEDURE: Recording notes and memos in Sales Control	5.36
Recording customer reminders, notes, and memos in CRM (Customer Relationship Management)	5.39
PROCEDURE: Recording reminders, notes, and memos in CRM	5.40
Scheduling phone calls	5.43
PROCEDURE: Scheduling an individual phone call in Discover	5.43
PROCEDURE: Scheduling mass phone calls in Discover	5.44
Follow-up – Unsold and missed appointment	5.46
Customer follow-up – new owner	5.48
Scheduling an appointment	5.49
PROCEDURE: Scheduling an appointment - Discover	5.49
PROCEDURE: Scheduling an appointment – CRM (Customer Relationship Management)	5.51
Turning over a prospect	5.53
PROCEDURE: Turning over a prospect	5.53
Recording other events in your calendar	5.54
Dead deals	5.55
PROCEDURE: Recommending a prospect be categorized as a dead deal - Discover	5.64
PROCEDURE: Recommending a prospect be categorized as a dead deal – CRM	5.56
Calling to confirm appointments	5.57
BEST PRACTICE: Confirming appointments	5.57
The Program Genie	5.58
Frequently asked questions and key phrases	5.59
Prospecting for business referrals	5.61
STANDARD: Sharing customer information	5.61
Business referrals and Discover	5.62
Entering/editing business referral information and creating notes	5.63
PROCEDURE: Recording/editing a business referrer in Discover	5.65
PROCEDURE: Entering a note for a business referrer in Discover	5.66

Scheduling a business referrer phone call made or to be made5.67

PROCEDURE: Scheduling a phone call to a business referrer5.67

Scheduling a business referrer appointment made or kept.....5.69

PROCEDURE: Scheduling an appointment with a business referrer5.69

Scheduling group phone calls for business referrers5.70

PROCEDURE: Generating phone calls for a group of business referrers5.70

Turning over a business referrer5.73

PROCEDURE: Turning over a business referrer5.73

Receiving a prospect from a business referrer.....5.76

The Business Development Center (BDC).....5.77

Chapter 6 – Sales Presentation

Purpose	6.1
The greeting.....	6.1
PROCEDURE: Greet prospects at the lot	6.2
Prospect arrives without an appointment (Lot Up)	6.3
Prospect arrives for an appointment	6.4
PROCEDURE: Recording a customer's arrival for an appointment in CRM	6.4
The flip chart presentation	6.5
PROCEDURE: Spanish flip chart presentation using Discover	6.5
PROCEDURE: Conduct a Spanish Flip Chart presentation in Discover.....	6.6
PROCEDURE: Conduct a mobile flip chart presentation	6.13
STANDARD: Retail vehicle pricing	6.19
BEST PRACTICE: Trade-ins	6.19

Chapter 7 – Application Process

Purpose	7.1
Application options	7.1
Taking the Customer Statement/Application	7.1
STANDARD: Retail vehicle pricing	7.1
PROCEDURE: Accessing the Customer Statement in Discover	7.2
Customer Statement menu bar in Discover	7.4
BEST PRACTICE: Disclosure of personal information	7.4
The Customer Statement	7.5
PROCEDURE: Taking the Customer Statement – Step 1 – Contact Info Tab	7.5
PROCEDURE: Taking the Customer Statement – Step 2 – Housing tab.....	7.8
PROCEDURE: Taking the Customer Statement – Step 3 – Employment tab	7.11
PROCEDURE: Taking the Customer Statement – Step 4 – Financial tab.....	7.15
Printing the Starter Pack and Customer Statement	7.17
PROCEDURE: Printing the Starter Pack and Customer Statement	7.18
PROCEDURE: Scanning and transmitting Starter Pack documents	7.20
The Transportation Needs Analysis	7.23
PROCEDURE: Preparing the Transportation Needs Analysis.....	7.24
The trade-in	7.25
BEST PRACTICE: Trade-ins.....	7.25
Assembling the Qualification Package	7.26
PROCEDURE: Assembling the Qualification Package	7.26
BEST PRACTICE: Test drive	7.26
STANDARD: Prohibition against customer abuse	7.28
Byrider website online applications	7.29
Online Approval Lite (OAL).....	7.29
Online Approval Full (OLAF)	7.33
Using OLAF for leads with a blank status	7.39
The P.R.E. (Preliminary Risk Evaluation) process (A.R.E. 2.0 option)	7.40
PROCEDURE: Conducting the Preliminary Risk Evaluation (P.R.E.)	7.40
PROCEDURE: Completing the P.R.E. sections.....	7.45
Applicant wants/needs to leave before the sale is complete.....	7.49
BEST PRACTICE: Turnover (TO)	7.49
The Service walk	7.50
The Evidence Manual	7.50
If the Discover system or your store's printers aren't working.....	7.50
CNAC actions	7.51
When an application is rejected by CNAC	7.52

Page Rev. 08/20/2021

CRM (Customer Relationship Management) -7.53

The P,R,E. (Preliminary Risk Evaluation) process7.54

PROCEDURE: Conducting the Preliminary Risk Evaluation (P.R.E.)7.54

PROCEDURE: Completing the P,R,E, sections.....7.56

PROCEDURE: Accessing the application in CRM (Customer Relationship Management).....7.61

Application menu bar in CRM.....7.63

BEST PRACTICE: Disclosure of personal information7.63

The Customer Statement (CRM).....7.64

PROCEDURE: Taking the Customer Statement (CRM) – Step 1 – Contact tab7.64

PROCEDURE: Taking the Customer Statement (CRM) – Step 2 – Housing7.67

PROCEDURE: Taking the Customer Statement (CRM) – Step 3 – Employment tab7.71

PROCEDURE: Taking the Customer Statement (CRM) – Step 4 – Financial tab7.75

The Needs Analysis7.78

PROCEDURE: Preparing the Needs Analysis (CRM)7.79

Uploading applicant's stips in CRM7.80

Emailing stips request and uploading (CRM)7.80

Printing the Starter Pack including the Customer Statement (CRM)7.85

PROCEDURE: Printing the Starter Pack, signing the Customer Statement, and sending application to Underwriting (CRM).....7.86

Chapter 8 – Desking the Deal

Purpose	8.1
Store/General manager actions.....	8.1
BEST PRACTICE: Turnover (TO)	8.1
STANDARD: Prohibition against customer abuse	8.1
Select a vehicle(s)	8.2
PROCEDURE: Select a vehicle(s)	8.2
Communication the application status to the customer.....	8.3
The four square (Getting You On A Path To A Bright Future)	8.3
The Roadmap	8.5
The Decision Status Screen	8.6
Test drive	8.9
PROCEDURE: The test drive	8.10
BEST PRACTICE: Test drive	8.10
BEST PRACTICE: Dealer plates and temporary tags.....	8.10
BEST PRACTICE: Keys for vehicles.....	8.10
Structuring the deal	8.12
BEST PRACTICE: Gross profit	8.12
STANDARD: DIP payments	8.12
BEST PRACTICE: Amount of DIP payment.....	8.12
STANDARD: First Installment Payment – No DiPs/Promissory Notes	8.13
BEST PRACTICE: Scheduling the payment	8.13
Structuring the deal when DIPs are not allowed	8.14
Entering a deal into Contract Writer	8.15
Using Contract Writer	8.15
STANDARD: First Installment Payment – No DIPs/Promissory Notes	8.29
Wholesale deals	8.32
Cash deals.....	8.32
STANDARD: Cash deals	8.32
Entering another deal into Contract Writer	8.33
Preliminary Purchase Worksheet	8.33
PROCEDURE: Printing the Preliminary Purchase Worksheet.....	8.34
Presenting the deal to the applicant	8.36
Receipt for down payment.....	8.39
Automobile insurance coverage	8.39
The turn over	8.40
STANDARD: Prohibition against customer abuse	8.40
Objections to closing the deal.....	8.41
PROCEDURE: Handling objections	8.41
The financing decision.....	8.42
PROCEDURE: Transferring the deal to delivered in Contract Writer	8.43

Chapter 9 – Wrapping Up the Deal

Purpose	9.1
Transition to CNAC.....	9.1
BEST PRACTICE: Pre-closing video	9.1
STANDARD: Signatures on closing documents.....	9.1
Preparing the vehicle for delivery	9.2
BEST PRACTICE: Fuel in vehicle tank	9.2
License plates.....	9.2
Delivering the vehicle to the customer.....	9.3
Completing the delivery process	9.4
Follow-up after the customer is sold	9.5

Page Rev. 02/24/2022

Chapter 10 – Sales Associate’s Management of Their Work Plan

Purpose10.1

Sales Associate’s Timetable Overview.....10.2

Finding a customer in Discover Sales Control10.3

PROCEDURE: Locate a customer using “Last 20 Customers” in Discover.....10.3

Tracking your activities in Discover10.4

The Activity Sheet in Discover – My Goals and the Plan to Get There10.21

The Applications tab in Discover10.09

PROCEDURE: Monitoring applications using the Applications tab in Discover.....10.09

Sold customers – red alert (Discover)10.13

PROCEDURE: In Discover, initiating a red alert for a sold customer with an active account.....10.13

Customer Relationship Management (CRM)10.14

Tracking your activities in CRM (Customer Relationship Management).....10.16

Help features on the CRM dashboard10.17

Dashboard notifications in CRM10.18

Tracking your goals on the CRM dashboard10.19

The lead book on the CRM dashboard.....10.23

Using the customer profile screen10.28

PROCEDURE: Completing a call in CRM (Customer Relationship Management):.....10.33

PROCEDURE: Recording a customer referral in CRM.....10.35

PROCEDURE: Revert a lead to the “New” category.....10.39

Chapter 11 – Managing the Sales Department

Purpose	11.1
Managing by walking around	11.1
Time management for the manager	11.1
Accountability.....	11.3
Areas of responsibility	11.3
Key Result areas	11.4
BEST PRACTICE: Monitoring Key Results (Byrider Sales).....	11.4
Setting up A.R.E. options in Discover.....	11.5
Setting up a location's sales goals in Discover	11.5
Sales volume goal	11.7
Buying goal – actual cash value (total inventory value)	11.8
Reconditioning goal – actual cash value (total inventory value)	11.8
Down payment goal	11.9
Cash in deal goal.....	11.9
BEST PRACTICE: Appraisals	11.9
Average customer payment and term goals.....	11.9
Average gross profit goals	11.10
Back-offs goal	11.11
STANDARD: Back-off.....	11.11
PROCEDURE: Backing off a deal (Contract Writer)	11.12
STANDARD: Refund/Return of downpayment, DIP and trade-in	11.13
PROCEDURE: Changing the Back Off reason code	11.16
PROCEDURE: Backing off a cash deal	11.18
PROCEDURE: Backing off a wholesale deal	11.19
Overhead goal	11.20
Monitoring variances – boards	11.21
BEST PRACTICE: Sales boards.....	11.21
Managing Sales Associates' goals and activities	11.28
PROCEDURE: Setting up and editing the Sales Activity Sheet goals in Discover	11.29
PROCEDURE: Setting up and editing Sales Associate goals in CRM	11.32
PROCEDURE: Monitoring sales activities using the Sales Control Activity Dashboard	11.35
Assigning leads and managing the customer database.....	11.39
PROCEDURE: Assigning leads in CRM (Customer Relationship Management)	11.40
PROCEDURE: Monitoring recent leads received in CRM (Customer Relationship Management)	11.42
PROCEDURE: Management of processing of a “dead” deal in CRM.....	11.43
Managing assigned leads and customers	11.45
PROCEDURE: Adding/changing a sales associate/underwriter on a deal in Discover	11.45
PROCEDURE: Turn over a group of deals, prospects, or business referrals to another sales associate based on customer type in Discover	11.48
PROCEDURE: Turn over a Sales Associate's customers using the Sales Associate's name (Discover)	11.51
PROCEDURE: Turning over a Sales Associate's leads/customers (CRM).....	11.53
PROCEDURE: Transferring/removing a Sales Associate from a location in CRM.....	11.56
Lead Book sharing in CRM (Customer Relationship Management)	11.58
Administration	11.59
Considerations when hiring a vendor	11.59
Computerized record keeping musts.....	11.59

Byrider Sales NSF's	11.60
PROCEDURE: Recording a Byrider NSF	11.60
PROCEDURE: Redeeming a Byrider NSF	11.62
Collateral exchange	11.64
PROCEDURE: Collateral exchange	11.64
Manual recordkeeping musts	11.65
Record retention plan	11.65
Custom customer communications	11.66
BEST PRACTICE: Forms approval	11.66
Advertising – J.D. Byrider Advertising Group	11.67
STANDARD: Advertising	11.67
PROCEDURE: Accessing Byrider Marketing materials	11.68
An advertising plan overview	11.69
STANDARD: Advertising	11.69
Maintaining advertising sources	11.72
PROCEDURE: Maintaining advertising sources in Sales Control	11.72
PROCEDURE: Adding a location specific Source Detail in CRM	11.75
Exporting a leads list in CRM	11.76
PROCEDURE: Scheduling an export of leads in CRM	11.76
Ebyrider.com	11.79
Gramm-Leach-Bliley Privacy Act	11.81
STANDARD: Gramm-Leach-Bliley Privacy Act requirements	11.81
STANDARD: Sharing customer information	11.81
Customer Information Security Plan	11.81
Red Flag Program	11.82
Customer service	11.83
PROCEDURE: Handling customer concerns	11.84
Online reputation management – customer satisfaction	11.86
Red Alerts	11.87
Sales/service meetings	11.91
National compliance program	11.93
STANDARD: Compliance Audits	11.93
An internal audit program	11.94
Safety	11.94
Location set up options in Discover for A.R.E.	11.95
PROCEDURE: Location set up in Discover – A.R.E.	11.95

Chapter 12 – Leading the Byrider Staff

Purpose	12.1
The manager as a leader	12.2
Creating a winning environment.....	12.2
Hiring the “right” people	12.3
Onboarding	12.5
Training the staff.....	12.6
PROCEDURE: Determine training needs	12.6
OnTrack reporting.....	12.9
Setting Goals	12.11
Building the Byrider team	12.12
The manager as a coach.....	12.15
Motivating the staff.....	12.16
Empowerment.....	12.17
Conducting meetings – general guidelines	12.18
PROCEDURE: Conduct a meeting	12.18
Promoting effective communications.....	12.19
Managing time	12.20
Personnel administration	12.22
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	12.22

Appendix A – Exhibits

Confidentiality and Non-Disclosure Agreement.....	A.1a
Laws applicable to the retail sales and financing of vehicles	A.2a
Addendum to the Byrider Confidential Operating Manual (Ohio operators only).....	A.3a
Addendum to Byrider Confidential Operating Manual (Kentucky operators only).....	A.4a
Dealership Daily Duty Roster	A.5a
Related Finance Company (CNAC) Worksheet.....	A.6a
Board of Director's Consent Resolution and Exhibit A	A.7a
Agreement to Purchase Automobile Contracts	A.8a
Financing Services Agreement.....	A.9a
Requirements from the ECOA.....	A.10a
Byrider Franchising Forms Program.....	A.11a
Limited Warranty Coverage (Repairs Covered)	A.12a
Maximum Finance Charge Rate worksheet	A.13a
Servicemembers Civil Relief Act (SCRA).....	A.14a
Byrider Deal Jacket Checklist.....	A.15a
CNAC Deal Jacket Checklist.....	A.16a
Collection abbreviations	A.17a
Field Call Log.....	A.18a
Skip Sheet	A.19a
Legal terms associated with bankruptcy.....	A.20a
Reaffirmation Agreement (October, 2005 Bankruptcy Law).....	A.21a
Proof of Claim	A.22a
CNAC Repossession Checklist	A.23a
CNAC Inventory of Personal Items.....	A.24a
Katz, Sapper & Miller letter: Reporting Discharge of Indebtedness Under I.R.C. 6050P	A.25a
Customer 1099-C cover letter	A.26a
Collection Call Monitoring form.....	A.27a
Predictive Index (PI) Survey	A.28a
What can and can't I ask in an interview	A.29a
Non-Competition Agreement	A.30a
Intentionally left blank	A.31a
Byrider/CNAC Anti-Money Laundering Plan	A.32a
Byrider/CNAC Whistleblower Policy	A.33a
Byrider/CNAC Fair Credit Policy & Acknowledgement.....	A.34a
Byrider/CNAC Red Flag and Identity Theft Program.....	A.35a
Gramm Leach Bliley Act Chief Privacy Officer Guide	A.36a
Buyer's Auction Log.....	A.37a
Inventory Log Book.....	A.38a
Byrider Vehicle Categories	A.39a
Comprehensive Inspection Requirements	A.40a
Vehicle Lot Ready Report.....	A.41a
This Vehicle Not for Sale sign	A.42a
Notice of Incompleteness letter	A.43a
Daily Driving Log.....	A.44a
Shop Maintenance Schedule.....	A.45a
Medical Supply Order Form.....	A.46a
Service Safety Meeting.....	A.47a
New Vehicle Check In Sheet	A.48a
Vehicle Repair Installment Contract	A.49a

Item Code List..... A.50a
Item Codes Covered Under Limited Warranty A.51a
Solutions By Text..... A.52a
CNAC.com Job Aid-Applicable for Locations Using 3Delta or ACI A.53a
CNAC Reporting Training Manual A.54a

Appendix B – Standards and Best Practices

Standards B.1
Best practices B.13

Glossary

PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

INTRODUCTION	1
CNAC OPERATIONS OVERVIEW	2
FINANCING	3
CLOSING	4
CONTRACT ADMINISTRATION AND CASH CONTROL	5
COLLECTION PROCEDURES	6
SKIP TRACING	7
BANKRUPTCY	8
REPOSSESSIONS, BACK OFFS, AND CHARGE OFFS	9
MANAGING CNAC	10
LEADING THE CNAC STAFF	11
APPENDIX A - EXHIBITS	
APPENDIX B – STANDARDS AND BEST PRACTICES	
GLOSSARY	

PAGE INTENTIONALLY LEFT BLANK

Reformatted 8/1/2007

CNAC OPERATIONS – TABLE OF CONTENTS

Chapter 1 – Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality.....	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals.....	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS).....	1.10
STANDARD: Compliance Management Systems.....	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response	1.11
BEST PRACTICE: Consumer relations representative.....	1.12
Standards in conflict with laws and/or regulations.....	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file.....	1.20
Reports usage by position	1.21

Chapter 2 – CNAC Operations Overview

Purpose	2.1
Why is CNAC in business?.....	2.1
Byrider Franchising Vision Statement	2.1
The Byrider Franchising Values	2.2
STANDARD: Code of Ethics	2.2
Typical customer.....	2.2
What makes us different?	2.2
Treatment of the customer	2.3
Byrider Franchising Values.....	2.2
STANDARD: Prohibition against customer abuse	2.3
BEST PRACTICE: Appearance.....	2.3
Customer expectations	2.4
Retail Sales & Finance Platform (RSP).....	2.5
The Warranty/Vehicle Service Contract	2.6
STANDARD: Vehicle Service Contracts.....	2.6
STANDARD: Warranty and service contracts	2.6
Optional GPS Service Contract	2.7
Traditional Byrider/CNAC franchise structure	2.8
STANDARD: Separation of Byrider and CNAC.....	2.8
BEST PRACTICE: Organizational documents	2.8
CNAC Structure	2.9
Customer Advancement	2.9
CNAC personnel objectives.....	2.9
Byrider Software Applications.....	2.11
Opening more than one window in Discover	2.14
PROCEDURE: Opening more than one application at a time in Discover.....	2.14
JDB Shortcut Portal aka Discover Portal.....	2.15

Chapter 3 – Financing

Purpose	3.1
Laws and Regulations	3.1
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B	3.2
Financing objectives	3.3
Areas of control.....	3.4
BEST PRACTICE: Customer insurance.....	3.4
Sales Process Redesign	3.4
The Sales and Financing Process.....	3.5
BEST PRACTICE: Sales and Finance Process	3.5
Sales and Finance Process (flow chart).....	3.6
The Application tab in sales control.....	3.7
Centralized underwriting.....	3.10
Obtain/Review the credit bureau report(s)	3.11
STANDARD: Credit reports	3.11
BEST PRACTICE: Credit report liability	3.11
PROCEDURE: Obtain credit bureau report(s)	3.12
Review the credit report(s)	3.19
PROCEDURE: Review credit report(s)	3.19
Credit bureau alerts and messages.....	3.20
CNAC preparation for the CNAC interview	3.22
Current Driver's License verifications	3.22
Acceptable proof of identification.....	3.22
Acceptable proof of residence	3.22
Acceptable proof of income	3.23
BEST PRACTICE: Customer Income	3.24
Income calculation and review	3.26
Income calculator.....	3.28
PROCEDURE: Completing the income calculator in Discover	3.29
The CNAC interview	3.34
Important notes for Discover's interview questions tab.....	3.35
PROCEDURE: Accessing the interview questions tab in Discover	3.38
PROCEDURE: Interview questions – personal information section	3.40
PROCEDURE: Interview questions – vehicle usage section	3.42
PROCEDURE: Interview questions – housing section.....	3.43
PROCEDURE: Interview questions – employment information section.....	3.45
PROCEDURE: Interview questions – financial information section	3.48
PROCEDURE: Interview questions – trade section	3.50
PROCEDURE: Interview questions – credit section	3.53
PROCEDURE: Interview questions – bankruptcy section	3.54
PROCEDURE: Interview questions – credit report section	3.55
PROCEDURE: Interview questions – down payment/insurance section	3.56
PROCEDURE: Interview questions – completion of CNAC interview.....	3.57
Payment to income (PTI) calculation.....	3.59
Obtaining A.R.E.'s financing recommendation.....	3.62
PROCEDURE: Scoring the customer's application.....	3.62
A.R.E. guidelines for completing the summary	3.66
Override/underride examples	3.67
The decision status (DS) screen	3.70
Financing Recommendations for the underwriter (underrides/overrides)	3.74
Rejected deals due to OFAC "hit"	3.76

PROCEDURE: Approving a deal that A.R.E. rejected (override).....3.77

PROCEDURE: Rejecting a deal that A.R.E. approved (underride)3.81

PROCEDURE: Manger release from Override/Underride.....3.83

Rejected deals – Notice of Action Taken (NOA) and roadmap3.84

STANDARD: Notice of Action Taken (“rejection letter”).....3.84

Approved applications – four square3.85

Guidelines for CNAC’s verification of the application3.86

BEST PRACTICE: Verification of customer information3.86

CNAC verification of the application in Discover3.89

PROCEDURE: Initially verifying the customer’s application information3.90

After the initial verification.....3.96

Review of reference requirements and reference verification3.98

Chapter 4 - Closing

Purpose	4.1
Laws and regulations	4.1
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B	4.2
Prepare wet signature closing documents	4.4
PROCEDURE: Print wet closing documents on a laser printer	4.5
Close with the customer	4.8
BEST PRACTICE: Pre-closing video	4.8
PROCEDURE: Close with the customer	4.9
Closing introduction dialog guidance	4.9
BEST PRACTICE: Recording the closing	4.9
Wet signature closing document matrix	4.10
STANDARD: Customers signing blank forms	4.12
STANDARD: Warranty and service contracts	4.12
STANDARD: Ancillary fee-based products or services	4.13
STANDARD: Maximum finance charge rate	4.15
STANDARD: Retail vehicle pricing	4.18
STANDARD: Disclosing information during closing	4.19
STANDARD: Signatures on closing documents	4.19
Handling objections	4.20
Deliver the account to CNAC's Accounts Receivable	4.20
PROCEDURE: Post the account to Accounts Receivable	4.21
Equal Credit Opportunity Act (ECOA) and Regulation B	4.24
STANDARD: Equal Credit Opportunity Act and Regulation B	4.24
Closing for a Vehicle Repair Installment Contract	4.24
BEST PRACTICE: Vehicle Repair Installment Contracts	4.24
PROCEDURE: Closing a Vehicle Repair Installment Contract with the customer	4.25
STANDARD: Customers signing blank forms	4.26
Background Secure Close	4.29
Secure Close's Training for Their System	4.29
General Manager/Underwriter Deal Structure – Secure Close	4.30
Underwriter/Location Personnel – Secure Close	4.31
Dedicated Secure Close Closing Station Notes	4.32
PROCEDURE: Prepare closing documents for signature – Secure Close	4.32
Objectives of All Closings	4.39
STANDARD: Customer Signing Blank Forms	4.39
STANDARD: Disclosing Information During Closing	4.39
Close with the customer – Secure Close Overview	4.40
Deleting a Secure Close Closing	4.42
PROCEDURE: Deleting a Secure Close Closing	4.42
Requesting Secure Close Documents After the Closing	4.42
JDB/CNAC Compliance Team's Notes for Auditing Secure Close	4.43
Archiving of Closing Documents – Secure Close	4.43
What is the Location's Responsibilities if Secure Close Makes Changes to their System?	4.43

Chapter 5 – Contract Administration and Cash Control

Purpose	5.1
The Office Manager/Controller	5.1
CNAC organization	5.1
Contract administration	5.2
Maintain the deal jacket	5.3
BEST PRACTICE: Deal jackets	5.3
BEST PRACTICE: Banking forms	5.3
Track titles	5.5
PROCEDURE: Track title information	5.6
Tracking insurance	5.9
PROCEDURE: Track insurance information	5.10
PROCEDURE: When proof of insurance coverage is not received	5.13
PROCEDURE: When a Notice of Insurance Cancellation is received	5.14
BEST PRACTICE: Customer insurance	5.14
Other considerations associated with vehicle insurance	5.15
PROCEDURE: Applying an insurance check to a customer's account	5.16
Prepare Sales Tax forms	5.17
Cashiering and cash control	5.17
BEST PRACTICE: Co-mingled funds	5.17
Accept the down payment on a vehicle purchase	5.18
PROCEDURE: Accept the customer's down payment on a vehicle purchase	5.18
BEST PRACTICE: Control of cash down payments	5.18
The cashier greeting	5.19
STANDARD: Account Representative (Collector) payments	5.19
BEST PRACTICE: Cashier verification of customer information	5.19
Payment Acceptance screen and its informational features	5.20
PROCEDURE: Accessing the Payment Acceptance screen	5.20
The customer attempts to pay less than required	5.29
BEST PRACTICE: Cashier responsibilities	5.29
Accepting contractual payments	5.30
PROCEDURE: Accept a standard payment on a contract	5.30
PROCEDURE: Accepting an external payoff on account with an VSC	5.41
Accept non-standard contractual payments	5.41
PROCEDURE: Accepting a non-standard contractual payment	5.41
Down payments on a Service repair order	5.43
PROCEDURE: Accepting a customer's deposit on a repair order	5.43
PROCEDURE: Refunding a customer's deposit on a repair order	5.46
Accepting payment for a Service Department repair order	5.47
PROCEDURE: Accepting payment for a Service Department vehicle repair	5.47
Accept payment for a mechanical DIP (MDIP)	5.50
Handling drop box payments	5.51
BEST PRACTICE: Drop box security	5.51
BEST PRACTICE: Accounting for drop box payments	5.53
Reprinting a receipt for a contractual payment	5.54
PROCEDURE: Reprinting a receipt for a contractual payment	5.54
PROCEDURE: Printing a receipt for an automatic ACH payment	5.56
PROCEDURE: Printing a receipt for automatic credit card payments	5.57
Miscellaneous account correspondence	5.58
Post a payment adjustment	5.59
BEST PRACTICE: Internal control of payment adjustments	5.59
PROCEDURE: Post an adjustment to an account	5.59

Compute customer payoffs.....	5.63
PROCEDURE: Compute a customer payoff	5.63
Balancing the cash drawer	5.66
BEST PRACTICE: Cash drawer.....	5.66
BEST PRACTICE: Co-mingled funds.....	5.66
The Daily Cash Receipts Report	5.67
Out of balance procedures	5.69
PROCEDURE: Resolve an out-of-balance condition (cash drawer).....	5.69
Bank deposits	5.70
BEST PRACTICE: Adding/removing money from the cash drawer to resolve an out-of-balance condition	5.70
BEST PRACTICE: Bank deposits	5.70
Automatic payment set up and edits - ACH	5.71
PROCEDURE: Setting up/editing ACH payments made from a checking or savings account.....	5.71
Customer online payments	5.75

Chapter 6 – Collection Procedures

Purpose	6.1
BEST PRACTICE: Payment on accounts	6.1
Why collect?	6.1
Why pay CNAC?.....	6.2
The Account Representatives (AR) and Portfolio Managers.....	6.2
Account Representative behavior – Prohibited Practices	6.3
BEST PRACTICE: Account Representative behavior	6.3
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B.....	6.3
STANDARD: Account Representative (Collector) payments	6.3
Desired AR behavior.....	6.4
BEST PRACTICE: Scheduling the payment	6.4
Initiating customer contact – the welcome call	6.4
BEST PRACTICE: Initial call to the customer (after the sale).....	6.4
i-Leverage	6.5
The collections tab in Discover.....	6.5
Accessing the collections tab	6.5
General description of filtering customer accounts	6.6
Maneuvering in the collection module – filters screen.....	6.11
Account screen orientation	6.12
PROCEDURE: Printing notes from the customer’s collection screen	6.22
PROCEDURE: Adding a note	6.23
BEST PRACTICE: Computer “Notes”	6.24
PROCEDURE: Enter a promise to pay not related to an incoming or outgoing telephone call	6.24
PROCEDURE: Entering and removing a follow up action for an account	6.26
Maneuvering in the collection module – customer account screens	6.52
Maneuvering in the collection module – short cut keys.....	6.54
Contacting the customer.....	6.54
The Daily Call Sheet.....	6.55
PROCEDURE: Accessing the Daily Call Sheet	6.55
The Advancement Genie.....	6.57
The collection call	6.58
STANDARD: Account confidentiality	6.58
BEST PRACTICE: Documenting proof for delinquency	6.59
CNAC notified that a buyer/co-buyer is deceased	6.60
CNAC notified of a name change	5.60
Vehicle Service Contract – Customer requested cancellation	6.61
STANDARD: Vehicle Service Contracts.....	6.61
Speaking with the angry customer	6.61
Dealing with excuses/objections.....	6.62
Posting the Collections Boards.....	6.64
PROCEDURE: Posting the Delinquency Board	6.64
PROCEDURE: Posting the Collection Board	6.66
PROCEDURE: Posting the Charge-off Board	6.67
PROCEDURE: Posting the Collector Productivity Board	6.69
The collections planner.....	6.72
BEST PRACTICE: When to begin collecting.....	6.72
PROCEDURE: Accessing and using the collections planner	6.72
BEST PRACTICE: Courtesy calls	6.74
Promises to pay (PTP).....	6.76
BEST PRACTICE: Promise to Pay.....	6.76
PROCEDURE: Recording a Promise to Pay.....	6.76

BEST PRACTICE: Broken promise to pay	6.82
Explaining the finance charge calculation	6.83
The up to date calculator feature	6.84
Automatic payments as a payment option	6.85
Payment arrangements other than promises to pay	6.86
BEST PRACTICE: Authority to make payment arrangements	6.86
BEST PRACTICE: Payment arrangements	6.86
Collection letters/forms	6.87
BEST PRACTICE: Use of collection letters	6.87
BEST PRACTICE: Content of collection letters	6.87
PROCEDURE: Generating individual collection letters/forms in Discover	6.88
PROCEDURE: Generating groups of collection letters/forms in Discover	6.91
In-office interviews	6.92
Field calls	6.93
STANDARD: Field call	6.93
Email and social networking	6.94
Processing bad checks	6.95
BEST PRACTICE: Non-sufficient fund checks	6.95
Pulling a credit bureau report	6.96
PROCEDURE: Pulling a credit report for collection purposes	6.96

Chapter 7 – Skip Tracing

Purpose	7.1
Who are skips?	7.1
When do I know if I have a skip?	7.1
BEST PRACTICE: Skip tracing	7.2
The purpose of skip tracing	7.2
Characteristics of the good skip tracer	7.2
Actions to avoid	7.3
Skip behavior	7.3
Who do I talk to?	7.4
PROCEDURE: Trace a skip	7.5
Sources/Resources	7.6
Searching by Social Security Number	7.7
Completing the trace	7.9
Skip prevention	7.9

Chapter 8 – Bankruptcy

Purpose	8.1
Overview	8.1
General actions	8.3
STANDARD: Customer contact in the event of bankruptcy	8.3
Processing a Chapter 7 bankruptcy	8.5
PROCEDURE: Processing a Chapter 7 bankruptcy	8.6
BEST PRACTICE: Bankruptcy charge offs – Chapter 7	8.15
What if a customer pays on a discharged Chapter 7 Bankruptcy?	8.17
Processing a Chapter 13 bankruptcy	8.18
PROCEDURE: Processing a Chapter 13 bankruptcy	8.20
BEST PRACTICE: Financing for customers with a previous bankruptcy that included a CNAC contract	8.28
Bankruptcy maintenance module tools	8.29

Chapter 9 – Repossessions, Back offs, and Charge offs

Purpose	9.1
Overview	9.1
Why does CNAC repossess?	9.1
BEST PRACTICE: Repossession	9.1
Before making a decision to repossess.....	9.2
BEST PRACTICE: Storing repossessed vehicles	9.2
Creditor rights	9.3
Uniform Commercial Code	9.4
Repossession of collateral – UCC 9-609.....	9.4
STANDARD: Self-help repossession	9.4
Using an outside repossession vendor.....	9.5
PROCEDURE: Set up or edit a Repossession Vendor	9.6
Forms and instructions for the repossession process	9.8
Repossession of a vehicle	9.12
PROCEDURE: Repossess a vehicle.....	9.12
Servicemembers Civil Relief Act of 2003 (SCRA)	9.11
Once a repossessed vehicle is returned to the lot	9.16
PROCEDURE: Processing a repossessed vehicle returned to the lot.....	9.17
Tracking repossessed vehicles	9.18
PROCEDURE: Locating a vehicle in the Repo Inventory using the “Repo Inventory” tab.....	9.19
PROCEDURE: Locating a vehicle in the Repo Inventory using the “Search” tab.....	9.21
After recording a repossession in Discover	9.22
PROCEDURE: Prepare paperwork after repossession	9.22
Adjust a repossession.....	9.24
PROCEDURE: Adjust a repossession	9.24
Liquidation of a repossession	9.26
STANDARD: Repossessed vehicles	9.26
PROCEDURE: Completing Form #11550-Explanation of Calculation of Surplus or Deficiency.....	9.27
Charge offs	9.30
BEST PRACTICE: Charge off	9.30
PROCEDURE: Charge off an account in Discover	9.31
BEST PRACTICE: Collateral disposition	9.32
Charge off maintenance	9.37
PROCEDURE: Charge off maintenance in Discover	9.37
Adjust charge off.....	9.40
PROCEDURE: Adjust a charge off.....	9.40
Deficiency balances	9.42
STANDARD: Finance charges on deficiency balance	9.42
STANDARD: Bad debt recovery.....	9.42
Back off.....	9.43
STANDARD: Back off.....	9.43
STANDARD: Refund/Return of down payment, DIP, and trade-in	9.44
PROCEDURE: Repossessing a back off vehicle	9.44
Recording the back off in Discover	9.45
PROCEDURE: Back off a deal in Discover	9.45
Adjust a back off	9.49
PROCEDURE: Adjust a back off	9.49
Mutual release	9.51

Chapter 10 – Managing CNAC

Purpose	10.1
Accountability.....	10.1
The CNAC manager's dashboard	10.2
PROCEDURE: Accessing the Manager Dashboard for CNAC.....	10.3
Key results	10.8
BEST PRACTICE: Monitoring key results (CNAC)	10.8
STANDARD: Maximum Finance Charge Rate	10.9
Implementing the operating system.....	10.11
CNAC Manager's timetable overview.....	10.11
Monitoring variance – reports	10.12
Monitoring variance – boards	10.15
BEST PRACTICE: CNAC Boards	10.15
CNAC compliance checklist	10.19
BEST PRACTICE: Vehicle Repair Installment Contracts	10.19
Franchising's national compliance program	10.20
STANDARD: Compliance Audits.....	10.20
An internal audit program	10.21
Considerations when hiring a vendor	10.21
Red Alerts	10.22
Customer service.....	10.26
PROCEDURE: Handling customer concerns.....	10.27
Online reputation management - customer satisfaction	10.29
Gramm-Leach-Bliley Privacy Act.....	10.30
STANDARD: Gramm-Leach-Bliley Privacy Act requirements.....	10.30
STANDARD: Sharing customer information.....	10.30
Customer Information Security Plan.....	10.30
BEST PRACTICE: CNAC security	10.30
BEST PRACTICE: Security system.....	10.30
Red Flag Program	10.31
Adding an individual to a contract.....	10.32
PROCEDURE: Executing a Guaranty Agreement	10.32
Credit bureau reporting.....	10.33
STANDARD: Credit professional.....	10.33
PROCEDURE: Credit bureau actions other than reported automatically by Discover	10.34
Handling credit bureau disputes	10.37
Updating an account for payment arrangements other than promises to pay (PTP).....	10.39
PROCEDURE: Account updates for payment arrangements other than PTP	10.39
Customer 1099-C's.....	10.42
Judgments other than bankruptcies including garnishment	10.43
PROCEDURE: Recording a garnishment or judgment other than bankruptcy	10.45
Collateral exchange	10.49
PROCEDURE: Collateral exchange.....	10.49
Reduced Gross Rule	10.53
Supervising underwriting	10.58
Changing an underwriter on a deal	10.59
PROCEDURE: Changing an underwriter on a deal	10.59
Assigning account representatives to accounts	10.61
BEST PRACTICE: Allocation of accounts to Account Representatives (AR)	10.61
PROCEDURE: Reassigning customer accounts when an Account Representative (AR) resigns	10.61

PROCEDURE: Reassigning an individual account to a different Account Representative (AR)	10.63
PROCEDURE: Assigning a batch of accounts to an Account Representative (AR).....	10.65
PROCEDURE: Assigning accounts by type to an Account Representative (AR).....	10.66
PROCEDURE: Assigning or re-assigning Account Representative (AR's) to a manager	10.69
Transferring accounts to a department or outside vendor.....	10.69
PROCEDURE: Transferring accounts.....	10.71
Managing Account Representatives' performance.....	10.74
STANDARD: Account Representative (Collector) payments	10.74
PROCEDURE: Reviewing CNAC accounts using Account Review feature	10.75
Monitoring collection calls.....	10.77
Managing cash receipts.....	10.78
Establishing the ability to accept web based credit card payments	10.79
Managing reoccurring credit card payments in Discover	10.80
PROCEDURE: Setting up, editing, and cancelling a reoccurring credit card payment.....	10.80
Administration and communication.....	10.84
BEST PRACTICE: Credit cards.....	10.84
BEST PRACTICE: Forms approval	10.86
Managing Print Shop (Lob).....	10.87
Collateral Protection Insurance (CPI)	10.90
PROCEDURE: Collateral Protection Insurance Auto Refund	10.91
Safety.....	10.96
Ebyrider.com.....	10.97
Location set up options for ARE Customization	10.98

Chapter 11 – Leading the CNAC Staff

Purpose	11.1
The manager as a leader	11.1
Creating a winning environment.....	11.2
Hiring the “right” people	11.3
Onboarding	11.5
Training the staff.....	11.6
PROCEDURE: Determining training needs	11.7
OnTrack reporting.....	11.9
Training for CNAC personnel	11.10
Setting goals	11.11
Building the CNAC team.....	11.12
The manager as a coach.....	11.14
Motivating the staff.....	11.15
Empowerment.....	11.16
Conducting meetings – General Guidance	11.17
PROCEDURE: Conduct a meeting	11.17
Promoting effective communications.....	11.18
Managing time	11.19
Personnel administration	11.21
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	11.21

Appendix A – Exhibits

Confidentiality and Non-Disclosure Agreement.....	A.1a
Laws applicable to the retail sales and financing of vehicles	A.2a
Addendum to the Byrider Confidential Operating Manual (Ohio operators only).....	A.3a
Addendum to Byrider Confidential Operating Manual (Kentucky operators only).....	A.4a
Dealership Daily Duty Roster	A.5a
Related Finance Company (CNAC) Worksheet.....	A.6a
Board of Director's Consent Resolution and Exhibit A	A.7a
Agreement to Purchase Automobile Contracts	A.8a
Financing Services Agreement.....	A.9a
Requirements from the ECOA.....	A.10a
Byrider Franchising Forms Program.....	A.11a
Limited Warranty Coverage (Repairs Covered)	A.12a
Maximum Finance Charge Rate worksheet	A.13a
Servicemembers Civil Relief Act (SCRA).....	A.14a
Byrider Deal Jacket Checklist.....	A.15a
CNAC Deal Jacket Checklist.....	A.16a
Collection abbreviations	A.17a
Field Call Log.....	A.18a
Skip Sheet	A.19a
Legal terms associated with bankruptcy	A.20a
Reaffirmation Agreement (October, 2005 Bankruptcy Law)	A.21a
Proof of Claim.....	A.22a
CNAC Repossession Checklist	A.23a
CNAC Inventory of Personal Items.....	A.24a
Katz, Sapper & Miller letter: Reporting Discharge of Indebtedness Under I.R.C. 6050P	A.25a
Customer 1099-C cover letter	A.26a
Collection Call Monitoring form.....	A.27a
Predictive Index (PI) Survey	A.28a
What can and can't I ask in an interview	A.29a
Non-Competition Agreement	A.30a
Intentionally left blank	A.31a
Byrider/CNAC Anti-Money Laundering Plan	A.32a
Byrider/CNAC Whistleblower Policy.....	A.33a
Byrider/CNAC Fair Credit Policy & Acknowledgement.....	A.34a
Byrider/CNAC Red Flag and Identity Theft Program.....	A.35a
Gramm Leach Bliley Act Chief Privacy Officer Guide	A.36a
Buyer's Auction Log.....	A.37a
Inventory Log Book.....	A.38a
Byrider Vehicle Categories	A.39a
Comprehensive Inspection Requirements	A.40a
Vehicle Lot Ready Report.....	A.41a
This Vehicle Not for Sale sign	A.42a
Notice of Incompleteness letter	A.43a
Daily Driving Log.....	A.44a
Shop Maintenance Schedule.....	A.45a
Medical Supply Order Form.....	A.46a
Service Safety Meeting.....	A.47a
New Vehicle Check In Sheet.....	A.48a
Vehicle Repair Installment Contract	A.49a

Item Code List..... A.50a
Item Codes Covered Under Limited Warranty A.51a
Solutions By Text Instructions A.52a
CNAC.com Job Aid-Applicable for Locations Using 3Delta or ACI A.53a
Credit Reporting Training Manual..... A.54a

Appendix B – Standards and Best Practices

Standards B.1
Best practices B.13

Glossary

TABLE OF CONTENTS

INTRODUCTION

REPORTS IN ALPHABETICAL ORDER

GLOSSARY

PAGE INTENTIONALLY LEFT BLANK

Reformatted 03/31/2009

BYRIDER/CNAC REPORTS – TABLE OF CONTENTS

Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality.....	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals.....	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual.....	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS).....	1.10
STANDARD: Compliance Management Systems.....	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response.....	1.11
BEST PRACTICE: Consumer relations representative.....	1.12
Standards in conflict with laws and/or regulations.....	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports.....	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file.....	1.20
Reports usage by position	1.21

A's

Account Activity Report	A.3
Account Origination Report	A.5
Accounts Receivable Report	A.7
Accrued Interest Report.....	A.11
ACH Account Report	A.15
ACH Collection Projections	A.19
ACH Loan Report – See ACH Account	
Acknowledgement of Goodwill Service – See Service Order/Checklist	
Activity Report.....	A.21
Advancement Board – See Customer Advancement Board	
Aging Writedown Report.....	A.25
ALL Letters (CNAC).....	A.29
PROCEDURE: Using the ALL Letter report (CNAC).....	A.29

Page Rev. 02/24/2022

ALL Letters (Byrider Sales)	A.33
PROCEDURE: Using the ALL Letter report (Byrider Sales)	A.33
AMS reports series – See CSI reports series	
Application Results Report	A.37
Approved Not Sold	A.41
ARE Account Detail	A.43
ARE Application Summary Report	A.47
Asset Management-Buying Plan	A.51
Asset Management (Category Totals).....	A.53
Asset Management (Make/Model).....	A.55
Asset Management (Monthly Category Totals)	A.59
Asset Management (Vendor).....	A.61
Assign Collectors Report	A.63
Assurance Service Contracts Sold Report	A.67
Auto Timed Payments Report	A.69

B's

Balancing Success Reports – See Financial Heath Reports	
Basis Report – See Customer Exposure/Basis Report	
BK Follow Up Report	B.3
BK Maintenance	B.5
Buyers Guide	B.9
Buyer's Report.....	B.13
Buying Plan – See Asset Management-Buying Plan	
Byrider Orangebook	B.17
PROCEDURE: Accessing the Byrider Orangebook.....	B.17

C's

Cash Board – See Collection Board	
(Vehicle Service) Cash Receipts	C.3
Charge Off Board.....	C.5
Charge Off Report	C.7
Charge Type Report by Tiers	C.13
Charge Type Report	C.17
CNAC Back Off Report.....	C.19
Cobuyer and Trade Penetration Report	C.23
Collateral Exchange Report.....	C.27
Collection Board	C.29
Collections Projection	C.33
Collector Productivity Board	C.37
PROCEDURE: Posting the Collector Productivity Board	C.37
Composite Comparison Report	C.41
Composites.....	C.43
PROCEDURE: Exporting the Composites report to Excel.....	C.46
Controller's List.....	C.57
Credit Bureau Reporting	C.61
Credit Log Report	C.63
CreditMax Transfer Report.....	C.65
Critical Months Summary	C.67
Critical Months Summary By Risk	C.71
CSI reports – also see Podium Report	
CSI Completed Calls Detail	C.75
CSI Results and Score	C.77
CSI Results Breakdown.....	C.79

Page Rev. 01/29/2021

Cumulative Loss	C.81
Cumulative Loss by Risk	C.85
Cumulative Loss Gradient – See Cumulative Loss	
Current Status Report.....	C.89
Customer Advancement Board	C.93
Customer Delinquency Report	C.97
Customer Exposure/Basis Report	C.103
Customer Follow Up Report	C.107
Customer Ledger Report	C.109
Customer Notes (CNAC)	C.111
Customer Notes (Sales)	C.115
Customer Number Cross Reference	C.117
Customer Receipt – See Service Order/CheckList	
Customer Satisfaction Index – See AMS reports	
Customer Service Index – See AMS reports	
Customer Refund Report.....	C.119
Customer Statement (CNAC & Byrider)	C.121
Customer (Account) Statements	C.123

D's

Daily Account Reconciliation	D.3
Daily Call Sheet	D.5
Daily Cash Receipts Report	D.9
Daily Operating Control Report	D.15
Daily Payments Board	D.17
Daily Stats – See Service Daily Measures Report	
Deal Review Report.....	D.21
Deals Not Assessed	D.23
Deficiency Letter	D.25
PROCEDURE: Printing deficiency letters	D.28
Delinquency Board	D.31
Delinquency by Tier	D.35
Delinquency Charts	D.39
Delinquency Summary	D.41
Detailer CheckList – See Service Order/CheckList	
Discount Earnings Report.....	D.43
Discount Report.....	D.47
DOC Report – See Daily Operating Control Report	
Do Not Call List Report.....	D.48

E, F, and G's

Edit Summary	E.3
Exchange of Collateral – See Substitution of Collateral	
Finance NSF Report	E.5
Financed Sales	E.9
Financial Health Reports	E.13
Financing Floor Plan Report.....	E.17
Finance Lot Operating Statement (FLOS) – See Operating Statements	
First Indiana Bank Floor Plan Summary.....	E.19
First Payment Default	E.21
FLOS – See Operating Statements	
Full Collection Note Review.....	E.21
Garnishment Report	E.25
Graduation Report	E.27

H's

Highest Risk Deals	H.3
Historic Delinquency	H.5
Historical Incremental and Cumulative Loss Report – See Historical Loss	
Historical Incremental and Cumulative Principal and Interest Report – See Historical Principal and Interest	
Historical Loss	H.7
Historical Principal and Interest	H.9
Historical Status Report	H.11

I, J, and K's

Incremental Loss Curve – See Delinquency Charts Report	
Insurance Status	I.3
Inventory Control Board	I.5
Byrider Acknowledgement of Goodwill Service – See Service Order/CheckList	
Inventory Control Report-Total Inventory	I.9
KPI Report	I.11

L's

Labor Credit Report	L.3
Loan Loss Performance	L.5
Loan Number Cross Reference	L.9
Loan Origination Report – See Account Origination Report	
Loss Curve – See Delinquency Charts Report	
Loss Reserve Summary	L.11
Loss Reserve Summary By Risk	L.15
Lot Comparison	L.19

M and N's

Mechanic Activity	M.3
Mechanic's CheckList – See Service Order/CheckList	
Monthly Deal Structures	M.7
Motivator Board (Sales) – See Chapter 11 in the Sales Operations manual	
Motivator Board – See Service Control Board	
New Vehicle Checkin and Print New Vehicle Checkin	M.13
New Vehicle Checkin Sheet – See New Vehicle Checkin and Print New Vehicle Checkin	
NOA Exception Report	M.17
NonFinanced Sales Tax	M.17
Not Bought In Inventory	M.19
NSF – See Sales NSF Report, Service NSF Report, or Finance NSF Report	

O's

One Page Composites (See Composites)	O.3
One Page Composite Comparison Report – See Composite Comparison Report	
Operating Control Report – See Daily Operating Control Report	
Operating Statements	O.15
Orangebook – See Byrider Orangebook	
Outstanding Repo Fees	O.19
Outstanding WIP Report	O.21

P and Q's

Paid Out Accounts	P.3
Parts Activity	P.7
Parts Inventory Report	P.9
Parts Inventory Report (New)	P.11
Payment Activity Report	P.13
Peek.CNAC.com	P.15
Plan of Action Report	P.17
Podium Results Report (also see CSI Reports)	P.19
Policy/Warranty Breakdown	P.21
Projection Model	P.25
Promise to Pay	P.31
Promise to Pay 3-Day Report	P.35
Push Back Report	P.37

R's

Recent Notes	R.3
Recon Timeline Details	R.5
Red Alert Activity Report	R.9
Reference count Report	R.14
References List	R.16
Report Usage	R.18
Repo Status	R.20
Repossession Report	R.24
Royalty Report	R.29
Run Off Report	R.31

S's

Sales Back Off	S.3
Sales Back Off by Tiers	S.5
Sales Cash Receipts	S.7
Sales Control Activity Report – See Activity Report	
Sales Control Communications Report	S.9
Sales Control Phone Call Report – See SC Phone Call Report	
Sales Control SpotLight Report	S.11
Sales Control SpotLight Report – Show Lot Traffic	S.15
Sales Control SpotLight Report – Show Lead Type	S.17
Sales Control SpotLight Report – Show Advertising	S.20
Sales Control SpotLight Report – Show Sales Person Activity	S.23
Sales Control SpotLight Report – Show Underwriting	S.25
Sales Control SpotLight Report – Show DashBoard	S.28
Sales Control SpotLight Report – Customer Step Rollup	S.47
Sales Discount Report	S.49
Sales Funnel	S.53
Sales Journal	S.57
Sales Journal Tiers	S.61
Sales Lot Operating Statement (SLOS) – See Operating Statements	
Sales Lot Posting Report	S.63
Sales Motivator Board – See Chapter 11 of the Sales Operations manual	
Sales NSF Report	S.65
Sales Standing Board	S.69
Salesperson Inventory Report	S.73
SC Phone Call Report	S.75
Service Appointments	S.77
Service Cash Receipts - See – Cash Receipts	
Service Control Board	S.79
Service Daily Measures Report	S.83
Service Department Control Board	S.85
Service Deposit Report	S.87
Service Operating Statement – See Operating Statements	
Service Motivator Board – See Service Control Board	
Service Notes	S.89
Service NSF Report	S.91
Service Operating Statement – See Operating Statements	
Service Return Visit Report	S.95
Skittles - See Daily Payments Board	
SLOS – See Operating Statements	
Spotlight Report – See Sales Control SpotLight Report	
Static Back Off by Tier	S.99
Static Pool Monthly Analysis (description/analysis of Static Pool)	S.101
Static Pool Charge Off Analysis Report	S.115
Static Pool Pivot Chart	S.117
Static Pool Report	S.121
Substitution Of Collateral Report – See Collateral Exchange Report	
Survey Reports – see CSI Reports and Podium Report	

T's

Tax Reconciliation Report	T.3
Three Circles Reports – See Financial Health Reports	
Title Tracking Report	T.5

U's

Underwriter Comparison.....	U.3
Unworked Delinquent Accounts	U.5

V's

Vehi(cle) Inventory Service Summary	V.3
Vehicle Insurance Report New	V.9
Vehicle Inventory Report	V.13
Vehicle Lot Ready Report – See Sales Ops manual, page A.18a	
Vehicle Service Cash Receipts – See Cash Receipts	
Vehicle Service Detail Posting.....	V.17
Vehicle Service Repair Orders	V.19
Vehicle Service Reports 3	V.27
Vehicle Sublet Status	V.27
Vendor Performance Report.....	V.29
VIN Search (system-wide).....	V.33

W's

Welcome Calls Report.....	W.3
Whole Sale Journal Report.....	W.5
WIP Report – See Outstanding WIP Report	
Working Repair Order (WRO) – See Service Order/CheckList	
Write Off Report.....	W.7

X, Y, and Z's

Your Letters (CNAC/JDB).....	X.3
------------------------------	-----

Glossary

PAGE INTENTIONALLY LEFT BLANK

Reformatted 03/31/2009

X

This work is the confidential and copyrighted property of Byrider Franchising, LLC and it may not be copied, distributed, modified, or disclosed to third parties without the prior written authorization of Byrider Franchising, LLC

Published 10/01/2005

TABLE OF CONTENTS

INTRODUCTION	1
--------------	---

FRANCHISE OPERATIONS OVERVIEW	2
-------------------------------	---

SERVICE DEPARTMENT OVERVIEW	3
-----------------------------	---

SAFETY AND THE ENVIRONMENT	4
----------------------------	---

SHOP SET UP	5
-------------	---

SHOP INVENTORY	6
----------------	---

RECONDITIONING VEHICLES FOR THE SALES LOT	7
---	---

CUSTOMER SERVICE AND CUSTOMER REPAIR ORDERS	8
---	---

RECONDITIONING VEHICLES FOR THE AUCTION	9
---	---

MANAGING THE SERVICE DEPARTMENT	10
---------------------------------	----

LEADING THE SERVICE DEPARTMENT STAFF	11
--------------------------------------	----

APPENDIX A - EXHIBITS	
-----------------------	--

APPENDIX B – STANDARDS AND BEST PRACTICES	
---	--

GLOSSARY	
----------	--

PAGE INTENTIONALLY LEFT BLANK

SERVICE OPERATIONS – TABLE OF CONTENTS

Chapter 1 – Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality.....	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals.....	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual.....	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS).....	1.10
STANDARD: Compliance Management Systems.....	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response.....	1.11
BEST PRACTICE: Consumer relations representative.....	1.12
Standards in conflict with laws and/or regulations.....	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports.....	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file.....	1.20
Reports usage by position	1.21

Chapter 2 – Franchise Operations Overview

Purpose2.1

The Service Department mission2.1

The Byrider Franchising Purpose2.1

Byrider Franchising Purpose Statement.....2.1

The Byrider Franchising Values2.2

STANDARD: Code of Ethics2.2

Typical customer.....2.3

What makes us different?2.3

Treatment of the customer2.4

Byrider Franchising Value #12.4

Byrider Franchising Value #22.4

STANDARD: Prohibition against customer abuse2.4

BEST PRACTICE: Appearance.....2.4

Customer expectations2.5

Tradition Byrider franchise structure.....2.6

STANDARD: Separation of Byrider and CNAC2.6

Customer advancement2.6

Retail Sales & Finance Platform (RSP).....2.7

The Warranty/Vehicle Service Contract2.8

STANDARD: Vehicle Service Contracts.....2.8

STANDARD: Warranty and service contracts2.8

Optional GPS Service Contract2.9

Byrider service personnel objectives2.10

Byrider software applications.....2.10

Opening more than one window in Discover2.14

PROCEDURE: Opening more than one application at a time in Discover.....2.14

JDB Shortcut Portal aka Discover Portal.....2.15

Chapter 3 – Service Department Overview

Purpose	3.1
Customer advancement	3.1
STANDARD: Warranty and service contracts	3.1
The vehicle inventory management process	3.2
Reconditioning vehicles in preparation for wholesaling	3.4
Communications with Store Manager.....	3.5
BEST PRACTICE: Maintenance of the Inventory Control Board in the Sales Department	3.5
Communications with Controller.....	3.7
Communications with the Buyer	3.8
STANDARD: Mileage and age of vehicles offered for retail sale	3.8
STANDARD: Title status of vehicles	3.8
The service technician's responsibilities	3.10

Chapter 4 – Safety and the Environment

Purpose	4.1
Why is environmental compliance important?	4.1
Customer safety.....	4.1
Emergency Action Plan (EAP).....	4.2
Safety Data Sheets (formerly MSDS).....	4.2
Signage.....	4.3
Safety and your equipment.....	4.4
PROCEDURE: Lockout of equipment for maintenance	4.5
Safety meeting	4.6
Shop cleanup and maintenance	4.6
Pollution prevention	4.7
Other environmental regulations	4.8

Chapter 5 – Shop Set Up

Purpose	5.1
New store opening – physical space considerations.....	5.1
BEST PRACTICE: On-site service	5.1
New store opening – tools and equipment considerations.....	5.2
New store opening – staffing considerations.....	5.3
Computing standard labor cost for the Service Department and hours available for customer appointments	5.5
Billing actual clocked time vs. a flat rate	5.8
Uniforms	5.10
BEST PRACTICE: Appearance.....	5.10
Borrowed vehicles	5.10
Hours of operation	5.11
How do you decide whether or not to sublet?	5.12
The advantages of using Dealer Services.....	5.13
Fixed price jobs.....	5.14
Shop jobs.....	5.15
PROCEDURE: Shop Job set up and modification	5.15
Expediting work assignments in the Service Department – bin system.....	5.17

Chapter 6 – Shop Inventory (Parts, consumables, and shop supplies)

Purpose	6.1
Pros and cons of bulk fuel inventory.....	6.1
BEST PRACTICE: Fuel storage	6.1
In-house parts inventory strategies	6.2
BEST PRACTICE: In-house parts inventory	6.2
Purchase orders when an outside vendor sources parts	6.3
Choosing vendors and managing pricing	6.4
BEST PRACTICE: Vendor contracts and service lines of credit	6.5
BEST PRACTICE: Parts and supplies ordering	6.5
BEST PRACTICE: Parts and supplies deliveries	6.5
Shop and detailer's supplies.....	6.6
Pros and cons of bulk fluids.....	6.7
Accounting for bulk fluids.....	6.8
Updating prices for non-inventory bulk fluids	6.11
PROCEDURE: Changing prices on bulk non-inventory items	6.11
Adding a new part to inventory	6.13
PROCEDURE: Adding a part to inventory.....	6.13
Updating/correcting part inventory data.....	6.16
PROCEDURE: Changing an existing part in inventory	6.16
Active/Inactive parts.....	6.19
PROCEDURE: Changing parts from “Active” to “Inactive” and “Inactive” to “Active”	6.19
Purchase orders (PO's).....	6.21
BEST PRACTICE: Purchase orders.....	6.21
Ordering parts for inventory	6.22
BEST PRACTICE: Credit cards.....	6.22
PROCEDURE: Checking for stocked parts that should be ordered.....	6.23
PROCEDURE: Ordering parts for inventory.....	6.24
Receiving inventoried parts	6.32
PROCEDURE: Receiving inventory and reconciling the purchase order	6.33
Reopening a purchase order (PO)	6.40
PROCEDURE: Reopening a purchase order (PO)	6.40
Credits/returns/cores	6.42
Tracking JIT parts to be returned	6.43
PROCEDURE: Processing returns/credits for inventoried items and JIT parts	6.44
PROCEDURE: Tracking cores using the core log and Discover	6.47
Controlling the inventory.....	6.52
BEST PRACTICE: Parts inventory	6.52
PROCEDURE: Physical inventory of in house parts inventory, cores, and JIT's inventory	6.54
Purchase orders for sublet work.....	6.58
BEST PRACTICE: Purchase orders.....	6.58
BEST PRACTICE: Purchase order book	6.58
Finding a purchase order.....	6.59
PROCEDURE: Using the super search POs feature	6.59

Chapter 7 – Reconditioning Vehicles for the Sales Lot

Purpose	7.1
Check in.....	7.1
BEST PRACTICE: Deal Jackets	7.1
BEST PRACTICE: New Vehicle Check In Sheet	7.1
Key control for sales lot vehicles	7.2
BEST PRACTICE: Keys for vehicles.....	7.2
Mechanic's CheckList.....	7.3
STANDARD: Reconditioning of vehicles.....	7.3
PROCEDURE: Completing the Mechanical Checklist (Mechanic's CheckList).....	7.6
The recon decision	7.7
BEST PRACTICE: Repair approval.....	7.7
Processing a rejected vehicle	7.8
Tracking the repair order status of any vehicle	7.9
PROCEDURE: Using the repair order search features.....	7.9
Processing a vehicle accepted for recon.....	7.11
PROCEDURE: Creating an estimate for reconditioning a sales lot vehicle	7.12
PROCEDURE: Creating a purchase order (PO) for parts included on an estimate	7.22
PROCEDURE: Receiving JIT parts and reconciling purchase order(s).....	7.24
PROCEDURE: Viewing a closed purchase order (PO).....	7.32
PROCEDURE: Reopening a closed purchase order (PO).....	7.33
PROCEDURE: Completing reconditioning service work.....	7.35
BEST PRACTICE: Repair Orders	7.35
Detailing.....	7.40
PROCEDURE: Detailer's CheckList.....	7.40
Vehicle merchandising	7.44
BEST PRACTICE: Fuel in vehicle tank	7.44
Closing a reconditioning locked estimate	7.45
PROCEDURE: Closing a recon repair order (RO)	7.45
Turning over a vehicle to sales.....	7.50
PROCEDURE: Transition of vehicle from recon to sales.....	7.50
Reopening a closed recon order	7.52
PROCEDURE: Re-opening a closed recon repair order.....	7.53
Viewing the progress of re-opened repair orders	7.55
PROCEDURE: Re-opening a closed recon invoice/working repair order	7.55
Viewing a closed, sales lot vehicle repair order	7.56
PROCEDURE: Viewing a closed repair order for a sales lot vehicle	7.56
Repairs after a vehicle is placed on the lot.....	7.58
PROCEDURE: Opening a reconditioning repair order (RO) after the initial RO has been closed	7.58
Byrider SERVICEPRO – Under construction	7.61

Chapter 8 – Customer Service and Customer Repair Orders

Purpose	8.1
Answering incoming calls	8.1
BEST PRACTICE: Incoming telephone calls	8.1
Communication with the customer	8.2
STANDARD: Prohibition against customer abuse	8.2
STANDARD: Account confidentiality	8.2
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B	8.2
BEST PRACTICE: Computer “Notes”	8.2
BEST PRACTICE: Offering a service or benefit	8.3
Customer Service Hotline	8.4
Tracking the repair order status of any vehicle	8.5
PROCEDURE: Using the repair order search features	8.5
Entering the Vehicle Service section of the Vehicle Module	8.7
PROCEDURE: Accepting the backoff of MDips and returning JIT parts	8.7
Vehicle Service Contract (VSC) – Towing/rental car reimbursement	8.8
Vehicle Service Contract (VSC) – Customer requested cancellation	8.8
STANDARD: Vehicle Service Contracts	8.8
Overview of the process for repair of a customer’s vehicle	8.9
Making the appointment	8.10
STANDARD: Cash deals	8.10
BEST PRACTICE: Service appointment calendar	8.11
PROCEDURE: Scheduling an appointment in Discover	8.12
PROCEDURE: Scheduling an appointment for a customer/vehicle not in Discover	8.22
Confirming appointments	8.24
BEST PRACTICE: Confirming appointments	8.24
Canceling or rescheduling a customer’s appointment	8.25
PROCEDURE: Rescheduling an appointment	8.26
PROCEDURE: Canceling an appointment	8.31
When the customer arrives with their vehicle	8.33
PROCEDURE: When customer arrives without an appointment (Fixed Price Job)	8.34
PROCEDURE: When customer arrives without an appointment (NOT a Fixed Price Job)	8.39
PROCEDURE: When customer arrives for a previously scheduled appointment with vehicle	8.41
BEST PRACTICE: Service work in progress	8.42
Performing service on a customer’s vehicle	8.43
BEST PRACTICE: Same day vehicle service	8.43
BEST PRACTICE: Estimates for customer repair orders	8.43
PROCEDURE: Diagnosis of problem and assessment of parts and labor required for job	8.43
PROCEDURE: Creating a cost estimate for a customer service order aka repair order (RO)	8.44
PROCEDURE: Accepting a customer’s deposit on a repair order	8.57
PROCEDURE: Selecting parts for a customer RO	8.61
PROCEDURE: Creating a purchase order (PO) for JIT parts or cores for inventoried parts	8.63
PROCEDURE: Receiving JIT parts and reconciling purchase order(s)	8.65
PROCEDURE: Locking a service estimate (WRO-working repair order)	8.74
PROCEDURE: Performing and completing work on a customer’s vehicle	8.77
BEST PRACTICE: Repair orders	8.79
Payment options for repair work	8.80
BEST PRACTICE: Recording amount of goodwill/policy	8.80
STANDARD: Warranty and service contracts	8.81

Customer pickup of their vehicle	8.83
BEST PRACTICE: Quality control inspection.....	8.83
BEST PRACTICE: Customer repair orders	8.83
PROCEDURE: Closing a customer's repair order (RO).....	8.84
STANDARD: Customers signing blank forms	8.95
Handling cash	8.97
Mechanical DIP's	8.97
BEST PRACTICE: Vehicle Repair Installment Contracts	8.97
Labor credits	8.98
PROCEDURE: Labor Credit – Customer's Repair Order.....	8.98
PROCEDURE: Processing a labor credit (LABOR for replacing a defective part)	8.99
PROCEDURE: Processing a part under manufacturer's warranty - recommended	8.104
PROCEDURE: Processing a part under manufacturer's warranty – alternative.....	8.105
PROCEDURE: Reopening a Labor Credit	8.107
Reopening a closed invoice (WRO)	8.109
PROCEDURE: Re-opening a closed customer invoice/working repair order (no MDip)	8.109
PROCEDURE: Re-opening a closed customer invoice/working repair order WITH an MDip	8.113
Viewing the progress of re-opened repair orders	8.113
PROCEDURE: Tracking reopened repair order	8.113
Viewing a closed customer invoice/repair order.....	8.114
PROCEDURE: Viewing a closed customer invoice/repair order.....	8.114
Customer concerns	8.117
PROCEDURE: Handling customer concerns.....	8.118
STANDARD: Complaint Response	8.120
BEST PRACTICE: Consumer Relations Representative	8.120
Creating a Red Alert	8.121
Customer service programs	8.122
STANDARD: Advertising	8.122

Chapter 9 – Reconditioning Vehicles for the Auction

Purpose	9.1
Reconditioning for vehicles repossessed by CNAC	9.1
STANDARD: Repossessed vehicles	9.2
PROCEDURE: Reconditioning of repossessed vehicles	9.3
BEST PRACTICE: Storing repossessed vehicles	9.5
BEST PRACTICE: Repair orders	9.5
Reconditioning of vehicles purchased for sales lot and rejected	9.6
PROCEDURE: Reconditioning of purchased vehicles rejected for reconditioning for sales lot	9.6
Reconditioning of trade-ins	9.9
BEST PRACTICE: Age of trade-in vehicle inventory	9.9
PROCEDURE: Reconditioning of trade-in vehicles	9.9
Bulk upload of wholesale vehicles	9.14
PROCEDURE: Bulk upload of wholesale vehicles.....	9.14

Chapter 10 – Managing the Service Department

Purpose	10.1
Service Department management overview	10.1
Managing by walking around	10.1
Service Manager's Timetable Overview	10.2
Setting up the Service Department in Discover	10.3
STANDARD: Reconditioning of vehicles	10.3
The Vehicle Service Dashboard	10.6
Red Alerts	10.14
The Dispatch Board	10.18
The Recon Control Board	10.19
Printing daily appointment sheet	10.20
PROCEDURE: Printing daily appointments from Discover	10.21
Monitoring parts and work in the Service Department	10.23
Processing bad checks for vehicle service work and MDip payments	10.24
PROCEDURE: Posting a vehicle service NSF	10.24
PROCEDURE: Posting a customer's payment for a vehicle service NSF	10.26
Monitoring bad checks for vehicle service work and MDip payments	10.29
PROCEDURE: Printing the Vehicle Service Detail Posting report	10.29
PROCEDURE: Printing the Service NSF Report for the Vehicle Service Department	10.31
Monitoring key results	10.33
BEST PRACTICE: Monitoring Key Results (Byrider Service)	10.33
Inventory Control Board	10.33
Recording Service Department goals in Discover	10.35
PROCEDURE: Entering Service Department goals in Discover	10.38
BEST PRACTICE: Service boards	10.38
Service Department Control Board	10.39
PROCEDURE: Printing Service (Department) Control Board	10.39
Service Motivator Board	10.41
Charge Type Report	10.44
PROCEDURE: Printing the Charge Type Report	10.44
Vehicle Service detail posting	10.46
Composites report	10.49
PROCEDURE: Printing the Composites report	10.49
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	10.50
Entering time for service technicians	10.50
Evaluating mechanics' time	10.53
Communicating performance	10.54
Online reputation management – customer satisfaction	10.55
Evaluating customer satisfaction – beyond the basics	10.56
Orangebook	10.56
PROCEDURE: Accessing the Orangebook	10.56
Extending warranties/service contracts	10.58
PROCEDURE: Extend a warranty (or service contract)	10.58
Ebyrider.com	10.61
Other websites	10.63
National compliance program	10.64
STANDARD: Compliance Audits	10.64
An internal audit program	10.65
Red Flag Program	10.65
Considerations when hiring a vendor	10.66

Chapter 11 – Leading the Service Department Staff

Purpose	11.1
The manager as a leader	11.1
Creating a winning environment.....	11.2
Hiring the “right” people	11.3
Onboarding	11.5
Training the staff.....	11.6
PROCEDURE: Determine training needs	11.7
OnTrack reporting.....	11.10
Setting goals	11.12
Building the Byrider team	11.13
The manager as a coach.....	11.16
Motivating the staff.....	11.17
Empowerment.....	11.18
Conducting meetings – general guidelines	11.19
PROCEDURE: Conduct a meeting	11.19
Promoting effective communications.....	11.20
Managing time	11.21
Personnel administration	11.23

Appendix A – Exhibits

Confidentiality and Non-Disclosure Agreement.....	A.1a
Laws applicable to the retail sales and financing of vehicles	A.2a
Addendum to the Byrider Confidential Operating Manual (Ohio operators only)	A.3a
Addendum to Byrider Confidential Operating Manual (Kentucky operators only)	A.4a
Dealership Daily Duty Roster	A.5a
Related Finance Company (CNAC) Worksheet	A.6a
Board of Director's Consent Resolution and Exhibit A	A.7a
Agreement to Purchase Automobile Contracts	A.8a
Financing Services Agreement.....	A.9a
Requirements from the ECOA	A.10a
Byrider Franchising Forms Program.....	A.11a
Limited Warranty Coverage (Repairs Covered)	A.12a
Maximum Finance Charge Rate worksheet	A.13a
Servicemembers Civil Relief Act (SCRA)	A.14a
Byrider Deal Jacket Checklist.....	A.15a
CNAC Deal Jacket Checklist	A.16a
Collection abbreviations	A.17a
Field Call Log	A.18a
Skip Sheet	A.19a
Legal terms associated with bankruptcy.....	A.20a
Reaffirmation Agreement (October, 2005 Bankruptcy Law).....	A.21a
Proof of Claim	A.22a
CNAC Repossession Checklist	A.23a
CNAC Inventory of Personal Items.....	A.24a
Katz, Sapper & Miller letter: Reporting Discharge of Indebtedness Under I.R.C. 6050P	A.25a
Customer 1099-C cover letter	A.26a
Collection Call Monitoring form.....	A.27a
Predictive Index (PI) Survey	A.28a
What can and can't I ask in an interview	A.29a
Non-Competition Agreement	A.30a
Page intentionally left blank	A.31a
Byrider/CNAC Anti-Money Laundering Plan	A.32a
Byrider/CNAC Whistleblower Policy	A.33a
Byrider/CNAC Fair Credit Policy & Acknowledgement.....	A.34a
Byrider/CNAC Red Flag and Identity Theft Program.....	A.35a
Gramm Leach Bliley Act Chief Privacy Officer Guide	A.36a
Buyer's Auction Log	A.37a
Inventory Log Book	A.38a
Byrider Vehicle Categories	A.39a
Comprehensive Inspection Requirements	A.40a
Vehicle Lot Ready Report.....	A.41a
This Vehicle Not for Sale sign	A.42a
Notice of Incompleteness letter	A.43a
Daily Driving Log.....	A.44a
Shop Maintenance Schedule.....	A.45a
Medical Supply Order Form.....	A.46a
Service Safety Meeting.....	A.47a
New Vehicle Check In Sheet	A.48a
Vehicle Repair Installment Contract	A.49a
Item Code List.....	A.50a
Item Codes Covered Under Limited Warranty	A.51a

Solutions By Text..... A.52a
CNAC.com Job Aid-Applicable for Locations Using 3Delta or ACI A.53a
CNAC Reporting Training Manual A.54a

Appendix B – Standards and Best Practices

Standards B.1
Best practices B.13

Glossary

PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

INTRODUCTION	1
ACCOUNTING MANAGEMENT	2
CHART OF ACCOUNTS	3
BYRIDER & CNAC BALANCE SHEETS	4
BYRIDER & CNAC INCOME STATEMENTS	5
COMMON GENERAL LEDGER ENTRIES	6
HOW TO: ACCOUNTS PAYABLE	7
HOW TO: BANK MANAGEMENT	8
HOW TO: GENERAL LEDGER	9
INTRODUCTION TO DYNAMICS REPORTING	10
DYNAMICS ACCOUNTS PAYABLE REPORTS	11
DYNAMICS BANK REPORTS	12
DYNAMICS GENERAL LEDGER REPORTS	13
DAILY ACTIVITIES	14
MONTHLY REPORTS	15

RECONCILING 16

APPENDIX – STANDARDS AND BEST PRACTICES

GLOSSARY

Byrider/CNAC Accounting Operations – Table of Contents

Chapter 1 – Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS)	1.10
STANDARD: Compliance Management Systems	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response	1.11
BEST PRACTICE: Consumer relations representative	1.12
Standards in conflict with laws and/or regulations	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report.....	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file	1.20
Reports usage by position	1.21

Chapter 2 – Accounting Management	
Purpose	2.1
The Byrider Franchising Vision	2.1
The Byrider Franchising Values	2.2
STANDARD: Code of Ethics	2.2
Typical Customer	2.2
What Makes Us Different?	2.2
Treatment of the Customer	2.3
STANDARD: Prohibition against customer abuse	2.3
BEST PRACTICE: Appearance	2.3
Customer Expectations	2.4
Customer Advancement	2.5
Retail Sales & Finance Platform (RSP)	2.5
The Warranty/Vehicle Service Contract	2.6
STANDARD: Warranty and service contracts	2.6
Optional GPS Service	2.7
Traditional Byrider/CNAC Franchise Structure	2.8
STANDARD: Separation of Byrider and CNAC	2.8
BEST PRACTICE: Organizational documents	2.8
Discover Application Modules	2.9
Opening more than one window in Discover	2.12
PROCEDURE: Opening more than one application at a time in Discover	2.12
Dynamics	2.13
Dynamics D365-Workspaces and Modules	2.14
Using Dynamics as a calculator	2.15
Having More than One Company Open at a Time	2.16
Dynamics AX – My Favorites	2.14
Dynamics D365 – Favorites and Recent	2.20
An Accounting Process Overview	2.21
JDB Shortcut Portal aka Discover Portal	2.22
The Accounting Punch List	2.20
Office Manager's/Accounting Manager's Punch List	2.24
Administration and Communication	2.30
BEST PRACTICE: Credit cards	2.30
BEST PRACTICE: Forms approval	2.32
Gramm-Leach-Bliley Privacy Act	2.33
STANDARD: Gramm-Leach-Bliley Privacy Act requirements	2.33
STANDARD: Sharing customer information	2.33
Customer Information Security Plan	2.33
BEST PRACTICE: CNAC security	2.33
BEST PRACTICE: Security systems	2.33
Red Flag Program	2.34
Training and the Manual	2.34
Operational Tips	2.34
Ebyrider.com	2.35
Customer Service	2.37
PROCEDURE: Handling customer concerns	2.38
Customer 1099-C's	2.40
Byrider's national compliance program	2.41
STANDARD: Compliance Audit	2.41
An Internal Audit Program	2.42
The Manager as a Leader	2.42
Creating a Winning Environment	2.42

Hiring the “Right” People	2.43
Onboarding	2.45
Training the Staff	2.46
PROCEDURE: Determine training needs	2.46
Training for Accounting Personnel	2.48
OnTrack reporting	2.49
Setting Goals	2.51
Building a Team	2.52
The Manager as a Coach	2.53
Motivating the Staff	2.54
Empowerment	2.55
Conducting Meetings – General Guidance	2.56
PROCEDURE: Conduct a meeting	2.56
Promoting Effective Communications	2.57
Managing Time	2.58
Personnel Administration	2.60
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	2.60
Safety	2.60

Chapter 3 – Chart of Accounts

DYNAMICS AX

Purpose	3.1
Balance Sheet Account Categories	3.2
Income Statement Account Categories	3.4
Financial Statement Requirements	3.5
Standard Chart of Accounts	3.6
Adding New Accounts	3.19
Departments	3.19
Standard Department List	3.20
Performing Research in the General Ledger	3.21
Dynamics AX Research “Cheat” Sheet.....	3.22

DYNAMICS D365

Purpose	3.24
Balance Sheet Account Categories	3.25
Income Statement Account Categories	3.27
Franchise Startup Chart of Accounts ..	3.28
Accounting Organization - Dynamics D365 and Discover	3.38
Dynamics D365 General Ledger Change Requests	3.40
Standard Department List Used in Discover	3.41
Performing Research in the General Ledger	3.42
Dynamics D365 Research “Cheat” Sheet	3.42

Chapter 4 – Byrider & CNAC Balance Sheets

DYNAMICS AX

Purpose	4.1
Assets	4.2
Liabilities	4.7
Equity	4.11
Balance Sheet Calculations	4.12

DYNAMICS D365

Purpose	4.13
Assets	4.14
Liabilities	4.20
Equity	4.24
Balance Sheet Calculations	4.25

Chapter 5 – Byrider & CNAC Income Statements

DYNAMICS AX

Purpose	5.1
Income Statement (BYRIDER)	5.2
Income Statement (CNAC)	5.20
Income Statement Calculations	5.34

DYNAMICS D365

Purpose	5.35
Income Statement (BYRIDER)	5.36
Income Statement (CNAC)	5.53
Income Statement Calculations	5.67

Chapter 6 – Common General Ledger Entries

Purpose	6.1
Petty Cash	6.1
Replenishing Petty Cash	6.2
Cash Clearing	6.3
Accounts Payable	6.4
Accrued Expense	6.5
Prepaid Expense	6.6
Notes Payable	6.7
Payroll	6.8
Vehicle Inventory - Purchases	6.9
Vehicle Inventory – Not Bought In (NBI)	6.10
Vehicle Inventory – Deletions	6.11
Vehicle Inventory – Wholesaling	6.12
Service Clearing	6.13
Labor Clearing	6.14
Reconditioning Repair Order (RO)	6.15
Customer Repair Order (RO)	6.16
Vehicle Sales	6.18
Service Contract Amortization	6.19
Warranties	6.20
Loans Receivable	6.21
Customer Payments (CNAC)	6.22
Back-Offs	6.23
Bad Debt Charge-Off	6.24
Internal Rollover (Payoff)	6.25
External Rollover (Payoff)	6.26
Collateral Exchange (formerly Substitution of Collateral)	6.27
Collateral Protection Insurance (CPI) Refund	6.28
Texas Sales Tax Entries – Effective date July 1, 2007.	6.29

Chapter 7– How To: Accounts Payable

DYNAMICS AX

Purpose	7.1
Methods of Payment	7.1
PROCEDURE: Setting up methods of payment in Dynamics for vendors	7.1
Vendor Discounts	7.2
PROCEDURE: Creating vendor discount terms in Dynamics	7.2
Payment Terms	7.4
PROCEDURE: Creating Payment Days (terms) in Dynamics	7.4
How to Add a Vendor	7.7
PROCEDURE: Adding a vendor in Dynamics	7.7
How to Setup a Default Offset Account for a Vendor	7.14
PROCEDURE: Assigning a default GL account number to a vendor	7.14
Changing an Accounts Payable Summary Account for a Vendor	7.16
PROCEDURE: Changing the accounts payable summary account for a vendor	7.16
How to Delete a Vendor	7.19
PROCEDURE: Deleting a vendor	7.19
How to Enter an Invoice	7.21
PROCEDURE: Entering an Accounts Payable invoice	7.21
How to Enter an Invoice to Multiple GL Accounts (Split the Offset)	7.24
PROCEDURE: Entering an Accounts Payable invoice split between multiple GL #'s	7.24

How to Split an Invoice Between Two Companies/Inter-Company Payable	7.28
PROCEDURE: Splitting an Accounts Payable invoice between multiple companies.....	7.28
Correction – Invoice posted to the wrong vendor	7.31
How to View Vendor Transactions	7.32
PROCEDURE: Viewing vendor transactions	7.32
How to Apply Debit Invoices to Credit Invoices.....	7.33
PROCEDURE: Applying debit invoices to credit invoices.....	7.33
How to Print a Check	7.34
PROCEDURE: Selecting invoices and printing checks	7.34
How to pay invoices based on due date	7.40
PROCEDURE: Update the “Method of payment” on a posted invoice	7.41
PROCEDURE: Processing payments for a range of due dates	7.43
How to Print One Check Per Invoice... ..	7.47
How to Enter a Manual Check	7.49
PROCEDURE: Processing a manual check	7.49
Using Electronic Funds Transfer (EFT) to Pay a Vendor.....	7.52
Voiding an Electronic Funds Transfer (EFT).....	7.53
PROCEDURE: Reversing an Electronic Funds Transfer (EFT)	7.53
Partial Payment of an invoice	7.55
PROCEDURE: Partial payment of an invoice	7.55
How to Find an Invoice	7.57
PROCEDURE: Finding a vendor's invoice in Dynamics.....	7.57

DYNAMICS D365

Lease Management Background	7.61
Lease Management—Create a New Lease Asset, Add Book, Create and Post Journals	7.66
Lease Management – Batch Journal Creation.....	7.75
Lease Management – Consumer Price Index (CPI) Variable Lease Setup.....	7.77
Lease Management – Lease Impairment.....	7.78
Lease Management – Termination/Reverse Termination of a Lease	7.80
Lease Management – Adjust Book	7.84
Lease Management – Adjustment Wizard	7.86

Chapter 8 – How To: Bank Management

Purpose	8.1
Setting Up Bank Transaction Types	8.2
PROCEDURE: Setting up bank transaction types	8.2
How to Add a Bank Account	8.3
PROCEDURE: Creating a bank account	8.3
How to Create Checks	8.6
PROCEDURE: Creating checks for use in Dynamics	8.6
How to Mark Checks as Blank	8.8
PROCEDURE: Marking created checks as blank	8.8
How to Delete Created Checks	8.10
PROCEDURE: Deleting created checks	8.10
How to Void Blank or Created Checks	8.12
PROCEDURE: Voiding blank or created checks	8.12
How to Void a Check That Has Been Issued	8.14
PROCEDURE: Voiding a check in Dynamics	8.14
How to Find a Bank Account Balance	8.17
PROCEDURE: Finding a bank account balance.....	8.17
How to View Invoices Paid by a Check.. ..	8.18
PROCEDURE: Viewing invoices paid on a check.....	8.18
How to Do A Bank Statement Reconciliation	8.20
PROCEDURE: Reconciling a bank statement	8.20
How to Verify if a Transaction has been Reconciled	8.26
PROCEDURE: Verifying if a transaction has been reconciled.....	8.26
Closing a Bank Account	8.28

Chapter 9 - How To: General Ledger

DYNAMICS AX

Purpose	9.1
How to Add a General Ledger Account – Dynamics AX ..	9.2
PROCEDURE: Adding a General Ledger account in Dynamics AX	9.1
Creating Journal texts	9.3
PROCEDURE: Creating Journal texts in Dynamics AX ..	9.3
How to View Account Balances in the Chart of Accounts	9.5
PROCEDURE: Viewing account balances in the chart of accounts	9.5
How to Lock/Unlock an Account	9.7
PROCEDURE: Locking/unlocking a General Ledger account	9.7
How to Lock Departments in a GL Account	9.8
PROCEDURE: Locking/unlocking departments in a General Ledger account	9.8
How to Find Out Where an Entry Originated	9.10
PROCEDURE: Finding the origin of a General Ledger entry	9.10
How to View Current Balances by Department	9.15
PROCEDURE: Viewing current balances by department	9.15
How to View Period Balances	9.17
PROCEDURE: Viewing current period balances	9.17
How to Adjust Budget Numbers	9.19
PROCEDURE: Adjusting budget figures	9.19
How to Post a Journal Entry or Bank Deposit	9.21
PROCEDURE: Creating and posting a journal entry or bank deposit	9.21
How to Post an Inter-Company Journal Entry or Bank Deposit	9.24
PROCEDURE: Creating and posting inter-company entries	9.24
Choices for Managing Reoccurring Entries	9.27
How to Use a Period Journal	9.28
PROCEDURE: Creating a reoccurring entry in a period journal	9.28
PROCEDURE: Retrieving and posting a period journal ..	9.32
PROCEDURE: Adding an entry to a period journal	9.35
PROCEDURE: Deleting an entry from a period journal ..	9.38
How to Use a General GL Upload	9.41
PROCEDURE: Adding Departments to Inter-company GL accounts	9.41
PROCEDURE: Uploading General Ledger payroll, or Accounts Payable entries	9.45
How to Find a Specific Entry/Group of Entries	9.52
PROCEDURE: Finding a journal entry or group of entries	9.52
How to Update Beginning Balances	9.54
PROCEDURE: Updating beginning General Ledger account balances	9.54
How to Stop a Period	9.55
PROCEDURE: Stopping a period	9.55
How to Consolidate Companies	9.56
PROCEDURE: Consolidating companies	9.56
PROCEDURE: Showing zero balances for inter-company accounts on Consolidated statements	9.58
Setting up intercompany relationships ...	9.58
PROCEDURE: Setting up intercompany relationships ...	9.60

DYNAMICS D365

Purpose	9.63
Adding, removing, modifying a General Ledger Account.	9.63

THE FOLLOWING D365 SECTIONS ARE UNDER CONSTRUCTION

Creating Journal texts	9.65
PROCEDURE: Creating Journal texts in Dynamics	9.
How to View Account Balances in the Chart of Accounts	9.
PROCEDURE: Viewing account balances in the chart of accounts	9.
How to Lock/Unlock an Account	9.
PROCEDURE: Locking/unlocking a General Ledger account	9.
How to Lock Departments in a GL Account	9.
PROCEDURE: Locking/unlocking departments in a General Ledger account	9.
How to Find Out Where an Entry Originated	9.
PROCEDURE: Finding the origin of a General Ledger entry	9.
How to View Current Balances by Department	9.
PROCEDURE: Viewing current balances by department	9.
How to View Period Balances	9.
PROCEDURE: Viewing current period balances	9.
How to Adjust Budget Numbers	9.
PROCEDURE: Adjusting budget figures	9.
How to Post a Journal Entry or Bank Deposit	9.
PROCEDURE: Creating and posting a journal entry or bank deposit	9.
How to Post an Inter-Company Journal Entry or Bank Deposit	9.
PROCEDURE: Creating and posting inter-company entries	9.
Choices for Managing Reoccurring Entries	9.
How to Use a Period Journal	9.
PROCEDURE: Creating a reoccurring entry in a period journal	9.
PROCEDURE: Retrieving and posting a period journal	9.
PROCEDURE: Adding an entry to a period journal	9.
PROCEDURE: Deleting an entry from a period journal	9.
How to Use a General GL Upload	9.
PROCEDURE: Adding Departments to Inter-company GL accounts	9.
PROCEDURE: Uploading General Ledger payroll, or Accounts Payable entries	9.
How to Find a Specific Entry/Group of Entries	9.
PROCEDURE: Finding a journal entry or group of entries	9.
How to Update Beginning Balances	9.
PROCEDURE: Updating beginning General Ledger account balances	9.
How to Stop a Period	9.
PROCEDURE: Stopping a period	9.
How to Consolidate Companies	9.
PROCEDURE: Consolidating companies	9.
PROCEDURE: Showing zero balances for inter-company accounts on Consolidated statements	9.
Setting up intercompany relationships	9.
PROCEDURE: Setting up intercompany relationships	9.

Chapter 10 – Introduction to Dynamics Reporting

DYNAMICS AX

Purpose	10.1
The Reports Screen	10.2
Selecting Standard Report Filters	10.3
Advanced Filter Selection	10.3
Range Tab (chart)	10.4
Saving Report Filters	10.7
Viewing Reports on Your Screen	10.8
Printing a Report to the Printer	10.10
How to save a Report to a File	10.11
Printing a Report to an Email Recipient	10.12

DYNAMICS D365

Purpose	10.13
Accessing Dynamics D365 Reports	10.14
Viewing/Printing Reports	10.16
Selecting Standard Report Filters	10.19
Advanced Filter Selection	10.20
Range Tab	10.21
Sorting Tab	10.22
Joins Tab	10.23
Saving Report Filters	10.24

Chapter 11 – Dynamics Accounts Payable Reports

DYNAMICS AX

Purpose	11.1
Vendor Report	11.2
Vendor Phone List	11.4
Vendor Balance List with Credit Limit	11.5
Transactions	11.6
Vendor Account Statement	11.8
Invoice	11.10
Vendor Aging Report	11.12
Settled Invoice Report	11.14
AP User Reconciliation Report	11.16
Vendor 1099 Report	11.18
Top 100	11.20
Vendor Name Change Report	11.22

DYNAMICS D365

Accessing Asset Leasing Reports	11.25
Five-Years Undiscounted Payment Forecast (Asset Leasing)	11.26
Lease Movement Report (Asset Leasing)	11.27
Lease Modification Report (Asset Leasing)	11.28
Lease Commencements Report (Asset Leasing)	11.29
Lease Balances Forecast (Asset Leasing)	11.30
Asset Movement (Asset Leasing)	11.31

Chapter 12 – Dynamics Bank Reports

Purpose	12.1
Bank Account Statement	12.2
Bank Reconciliation Report	12.3
Check Register	12.5
Check Register Summary	12.7
Check Register Updated	12.9
Bank Reconciliation	12.11
Bank Reconciliation with Transtext	12.13
Bank Payment Transactions	12.15
Bank Payment Summary by Vendor	12.17

Chapter 13 – Dynamics General Ledger Reports

Purpose	13.1
Financial Statement	13.2
Balance Sheet	13.3
Income Statement	13.6
Chart of Accounts	13.9
Account Statement	13.10
Account Statement – Department	13.12
Account Statement – Customer	13.14
Account Statement – Stock	13.16
Account Statement – Vendor	13.18
Account Statement – Posting	13.20
Account Statement – Posting w/Customer Number	13.22
Account Statement – Columnar	13.24
Trial Balance	13.26
Balance List	13.29
Ledger Transaction List	13.31
Transaction Origin	13.33
Ledger Budget	13.35
Annual Budget	13.37
Print Journal	13.39
SLOS Reports	13.41
Custom Financial Statements	13.42
PROCEDURE: Creating a custom financial statement	13.42
PROCEDURE: Creating a custom, columnar, trend financial statement by department..	13.46
PROCEDURE: Copying a custom, trend financial statement to a new year	13.49
PROCEDURE: Creating a custom, consolidated income statement	13.52
PROCEDURE: Creating a custom, consolidated balance sheet	13.55
PROCEDURE: Creating a report to confirm that a consolidated report is correct	13.58

Chapter 14 – Daily Activities

Purpose	14.1
Daily Account Reconciliation	14.1
PROCEDURE: Performing the Daily Account Reconciliation	14.1
Daily Reconciliation Report	14.3
Researching Variances on the Daily Reconciliation.....	14.4
Daily Cash Clearing Reconciliation	14.6
PROCEDURE: Performing the Daily Cash Clearing Reconciliation	14.7
Daily Cash Clearing Reconciliation form with Report Names	14.10
Blank Daily Cash Clearing Reconciliation form	14.11
Daily Cash Drawer Detail form	14.12
Check Detail List form	14.13
Out of Balance Reconciliation form	14.14
Daily Activity Balancing Worksheet	14.15
CNAC Cash Balancing Worksheet.....	14.16
Cheat Sheet – Reports for Daily Reconciliations	14.17

Chapter 15 – Monthly Reports

Purpose	15.1
A “Clean Month End Cut Off	15.1
Introduction to Monthly Reporting.....	15.1
AR Roll Forward Report	15.2
PROCEDURE: Printing the AR Roll Forward Report	15.3
Cheat Sheet – Reports for AR Roll Forward Report Reconciliation	15.5
Example of AR Roll Forward Report Reconciliation	15.6
Dynamics Month End Reports	15.10
Introduction to the Operating Statements in Discover	15.17
Printing the Operating Statements in Discover	15.19

Chapter 16 – Reconciling

Purpose	16.1
Reconciliation Theory	16.1
PROCEDURE: Using Excel for reconciliation research ..	16.2
PROCEDURE: Using an Excel Pivot Chart for reconciliation research	16.4
Vehicle Inventory	16.8
Parts Inventory	16.11
Service Work In Process (WIP)	16.13
Deposits for Service Work	16.14
Accounts (Loans) Receivable (CNAC only)	16.15
Accounts Payable	16.18
Cash	16.19
Intercompany	16.20

Appendix

Standards	A.1
Best Practices	A.13

Glossary

TABLE OF CONTENTS

INTRODUCTION	1
--------------	---

BYRIDER DIRECT OVERVIEW	2
-------------------------	---

VEHICLE INVENTORY MANAGEMENT	3
------------------------------	---

SAFETY, SHOP SETUP, AND PARTS INVENTORY	4
---	---

RECONDITIONING VEHICLES	5
-------------------------	---

PROSPECTING	6
-------------	---

SALES PRESENTATION	7
--------------------	---

APPLICATION PROCESS & DESKING THE DEAL	8
--	---

THE CLOSING & DELIVERING THE VEHICLE	9
--------------------------------------	---

CONTRACT ADMINISTRATION & CASH CONTROL	10
--	----

SALES ASSOCIATE'S WORK PLAN	11
-----------------------------	----

MANAGING BYRIDER DIRECT	12
-------------------------	----

CUSTOMER SERVICE & A CUSTOMER'S VEHICLE REPAIR ORDER	13
--	----

LEADING THE BYRIDER DIRECT STAFF	14
----------------------------------	----

APPENDIX A - EXHIBITS

APPENDIX B – STANDARDS AND BEST PRACTICES

APPENDIX C – REPORTING

GLOSSARY

BYRIDER DIRECT – TABLE OF CONTENTS

Chapter 1 – Introduction

Purpose.....	1.1
Receipt.....	1.1
How to contact us	1.1
Copyright protection	1.1
Notices regarding sharing of information and hiring of employees	1.2
STANDARD: Protection of Byrider proprietary marks	1.2
STANDARD: Confidentiality and Non-disclosure Agreement	1.2
Byrider organizational models	1.3
Legal notices.....	1.4
Sworn Statement of Responsibility and Confidentiality	1.5
How to use this manual	1.7
STANDARD: Customers signing blank forms	1.7
PROCEDURE: Layout of procedures in Byrider manuals.....	1.7
BEST PRACTICE: Courtesy calls	1.8
Position titles.....	1.8
Manual components	1.8
Training and the manual.....	1.9
Revisions	1.9
Business licenses	1.9
Compliance Management System (CMS).....	1.10
STANDARD: Compliance Management Systems.....	1.10
STANDARD: Compliance training	1.10
STANDARD: Complaint response.....	1.11
BEST PRACTICE: Consumer relations representative.....	1.12
Standards in conflict with laws and/or regulations.....	1.12
BEST PRACTICE: Standards in conflict with laws and/or regulations	1.12
Discover security	1.13
Reporting	1.14
Finding a Discover report	1.15
PROCEDURE: Finding a Discover report using “Your Top 10”	1.15
PROCEDURE: Finding a Discover report using “Help Me Find A Report”	1.17
Printing Discover Reports.....	1.19
PROCEDURE: Printing Discover reports	1.19
Saving a Discover report as an Excel spreadsheet.....	1.20
PROCEDURE: Saving a Discover report as an Excel file	1.20
Reports usage by position	1.21

Chapter 2 – Byrider Direct Overview

Purpose	2.1
Why is Byrider in business?	2.1
The Byrider Franchising Purpose	2.1
Byrider Franchising, LLC – Our Vision	2.1
The Byrider Franchising Values	2.2
STANDARD: Code of Ethics	2.2
Typical customer.....	2.3
What makes us different?	2.3
Treatment of the customer	2.3
STANDARD: Prohibition against customer abuse	2.3
BEST PRACTICE: Appearance.....	2.4
Applicant/customer expectations	2.5
Byrider Direct franchise structure	2.6
STANDARD: Separation of Byrider and CNAC.....	2.6
BEST PRACTICE: Organizational documents	2.6
Establishment of a Special Purpose Vehicle (SPV) Company.....	2.6
Company Stores’ Policies and Procedures	2.7
Customer advancement	2.8
The Warranty/Vehicle Service Contract	2.8
STANDARD: Vehicle service contracts	2.8
STANDARD: Warranty and service contracts	2.8
Optional GPS service contract	2.9
Sales Process Redesign	2.9
The Byrider Direct process	2.9
Byrider sales personnel objectives	2.11
Byrider sales personnel actions.....	2.11
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B.....	2.11
Byrider software applications.....	2.12
Opening more than one window in Discover.....	2.15
PROCEDURE: Opening more than one application at a time in Discover.....	2.15
Sales control/Customer Relationship Management CRM).....	2.16
Customer relationship management (CRM).....	2.17
Discover sales control.....	2.18
JDB shortcut portal aka Discover portal	2.20

Chapter 3 – Vehicle Inventory Management

Purpose	3.1
The inventory management process	3.1
Sales lot inventory considerations	3.3
Establishing Inventory Control and Sales Standing Boards goals	3.4
PROCEDURE: Establish store goals – inventory mix	3.5
Reconciling vehicle inventory	3.8
PROCEDURE: Reconciling vehicle inventory and maintaining the Inventory Control Board	3.8
STANDARD: Retail vehicle pricing	3.8
The role of the buyer.....	3.10
Purchasing the inventory	3.11
STANDARD: Byrider Minimum Vehicle Standards	3.11
STANDARD: Title status of vehicles	3.12
PROCEDURE: Accessing the Orangebook	3.13
Identify the inventory source.....	3.15
Byrider’s Buyer’s App	8.16

Buyer's Auction Log	3.16
BEST PRACTICE: The Buyer's Auction Log	3.16
PROCEDURE: Completing the Buyer's Auction Log	3.17
New Vehicle Check In Sheet	3.19
BEST PRACTICE: The New Vehicle Check In Sheet	3.19
PROCEDURE: Completing the New Vehicle Check In Sheet (NVCIS)	3.19
Vehicle recalls	3.21
Overview of vehicle check in readying for the sales lot	3.21
Add a vehicle to the inventory in Discover	3.23
PROCEDURE: Adding a vehicle to inventory	3.25
Printing forms for the Service Department	3.40
PROCEDURE: Generating/printing the Mechanic's and Detailer's Checklists & Buyer's Guide	3.40
Create the Byrider Deal Jacket	3.42
BEST PRACTICE: Copy of title for purchased vehicle	3.42
BEST PRACTICE: Titles for inventory	3.42
BEST PRACTICE: Deal jackets	3.42
BEST PRACTICE: Banking forms	3.42
Displaying the vehicles – "The lot line up"	3.44
Entering and tracking inventory in Discover	3.45
PROCEDURE: Locating a vehicle in the Vehicle Module using the "Inventory" tab	3.46
PROCEDURE: Locating a vehicle in the Vehicle Module using the "Search" tab	3.49
Daily driving log	3.51
BEST PRACTICE: Driving the inventory	3.51
Vehicle inventory management-inventory stats	3.52
BEST PRACTICE: Age of trade in vehicle inventory	3.53
Vehicle inventory management-wholesaling	3.54
Managing aging sales lot vehicles	3.55
PROCEDURE: Discounting a sales lot vehicle's Suggested Sales Price	3.55
Vehicle inventory management – repossessions	3.57
Transferring a vehicle to a different sales lot	3.57
PROCEDURE: Transferring a vehicle to a different sales lot	3.57
Deleting a vehicle from inventory	3.59
PROCEDURE: Deleting a vehicle from inventory	3.59
Wholesaling a vehicle	3.62
PROCEDURE: Wholesaling a "Bought In" vehicle	3.62

Chapter 4 – Safety, Shop Setup, and Parts Inventory

Purpose	4.1
Why is environmental compliance important?	4.2
Customer safety.....	4.2
Emergency Action Plan (EAP).....	4.3
Safety Data Sheets (formerly MSDs)	4.4
Signage.....	4.5
Safety and your equipment.....	4.6
PROCEDURE: Lock out of equipment for maintenance	4.7
Safety meeting.....	4.8
Shop cleanup and maintenance	4.8
Pollution prevention	4.9
Other environmental regulations	4.10
New store opening – physical space considerations.....	4.11
BEST PRACTICE: On-site service	4.11
New store opening – tools and equipment considerations.....	4.12
Staffing considerations	4.13
Service Technician’s responsibilities – overview.....	4.13
Billing actual clocked time vs. a flat rate.....	4.18
Uniforms	4.19
BEST PRACTICE: Appearance.....	4.19
Borrowed vehicles	4.19
Hours of operation	4.20
How do you decide whether or not to sublet?	4.20
The advantages of using Dealer Services.....	4.21
Fixed price jobs.....	4.22
Shop jobs.....	4.23
PROCEDURE: Shop job set up and modification	4.23
Expediting work assignments in the Service Department – bin system.....	4.25
In house parts inventory strategies.....	4.26
BEST PRACTICE: In-house parts inventory	4.26
Purchase orders when an outside vendor sources parts	4.27
Choosing vendors & managing pricing.....	4.28
BEST PRACTICE: Vendor contracts and service lines of credit.....	4.28
BEST PRACTICE: Parts and supplies ordering	4.28
BEST PRACTICE: Parts and supplies deliveries	4.28
Shop and detailer’s supplies.....	4.29
Pros and cons of bulk fluids.....	4.30
Pros and cons of bulk fuel inventory.....	4.30
BEST PRACTICE: Fuel storage	4.30
Accounting for bulk fluids.....	4.31
Updating prices for non-inventory bulk fluids	4.33
PROCEDURE: Changing prices on bulk non-inventory items	4.33
Adding a new part to inventory	4.35
PROCEDURE: Adding a part to inventory.....	4.35
Updating/correcting part inventory data.....	4.38
PROCEDURE: Changing an existing part in inventory	4.38
Active/inactive parts.....	4.40
PROCEDURE: Changing parts from “Active” to “Inactive” and Inactive” to “Active”	4.40
Purchase orders (PO’s).....	4.42
BEST PRACTICE: Purchase orders.....	4.42

Ordering parts for inventory	4.43
BEST PRACTICE: Credit cards.....	4.43
PROCEDURE: Checking for stocked parts that should be ordered.....	4.44
PROCEDURE: Ordering parts for inventory.....	4.45
Receiving inventoried parts	4.53
PROCEDURE: Receiving inventory and reconciling the purchase order	4.54
Reopening a purchase order (PO)	4.61
PROCEDURE: Reopening a purchase order (PO)	4.61
Credits/returns/cores	4.63
Tracking JIT parts to be returned	4.64
PROCEDURE: Processing returns/credits for inventoried items and JIT parts	4.65
PROCEDURE: Tracking cores using the Core Log and Discover	4.68
Controlling the parts inventory.....	4.73
BEST PRACTICE: Parts inventory	4.73
PROCEDURE: Physical inventory of in house parts inventory, cores, and JIT's inventory.....	4.75
Purchase orders for sublet work.....	4.79
BEST PRACTICE: Purchase orders.....	4.79
BEST PRACTICE: Purchase order book	4.79
Finding a purchase order.....	4.80
PROCEDURE: Using the Super Search POs feature	4.80

Chapter 5 – Reconditioning Vehicles

Purpose	5.1
Check in for sales lot vehicles	5.1
Key control for sales lot vehicles	5.2
BEST PRACTICE: Keys for vehicles	5.2
Mechanic's checklist	5.3
STANDARD: Reconditioning of vehicles	5.3
PROCEDURE: Completing the Mechanical Checklist (Mechanic's CheckList)	5.6
The recon decision	5.7
BEST PRACTICE: Repair approval.....	5.7
Processing a rejected vehicle	5.7
Tracking the repair order status of any vehicle	5.8
PROCEDURE: Using the repair order search features	5.8
Processing a vehicle accepted for recon.....	5.10
PROCEDURE: Creating an estimate for reconditioning a sales lot vehicle	5.11
PROCEDURE: Creating a purchase order (PO) for parts included on an estimate	5.21
PROCEDURE: Receiving JIT parts and reconciling purchase orders(s)	5.23
PROCEDURE: Viewing a closed purchase order (PO).....	5.31
PROCEDURE: Reopening a closed purchase order (PO).....	5.32
PROCEDURE: Completing reconditioning service work.....	5.34
Detailing.....	5.39
PROCEDURE: Detailer's CheckList.....	5.39
BEST PRACTICE: Fuel in vehicle tank	5.42
Vehicle merchandising.....	5.43
Closing a reconditioning locked estimate	5.44
PROCEDURE: Closing a recon repair order	5.44
Turning over a vehicle to sales.....	5.49
PROCEDURE: Transition of vehicle from recon to sales.....	5.49
Reconditioning of vehicles purchased for sales lot and rejected	5.51
PROCEDURE: Reconditioning of purchased vehicles rejected for reconditioning for sales lot.....	5.51
Reconditioning of trade-ins.....	5.54
BEST PRACTICE: Age of trade-in vehicle inventory	5.54
PROCEDURE: Reconditioning of trade-in vehicles	5.54
Reopening a closed recon order	5.59
PROCEDURE: Re-opening a closed recon repair order.....	5.60
Viewing the progress of re-opened repair orders	5.62
PROCEDURE: Re-opening a closed recon invoice/working repair order	5.62
Viewing a closed, sales lot vehicle repair order	5.63
PROCEDURE: Viewing a closed repair order for a sales lot vehicle	5.63
Repairs after a vehicle is placed on the lot.....	5.65
PROCEDURE: Opening a reconditioning repair order (RO) after the initial RO has been closed	5.65
Byrider SERVICEPRO – Under construction	5.67

Chapter 6 - Prospecting

Purpose	6.1
Prospecting for customers	6.2
Internet leads	6.3
Byrider prospecting programs	6.5
PROCEDURE: Finance-by-phone site operating procedures	6.7
Grassroots marketing	6.10
Prospecting in your Discover data base	6.11
Do not call list	6.13
PROCEDURE: Using do not call search in Discover	6.13
Incoming calls	6.15
The cold call	6.17
Using the mail and e-mail for prospecting	6.18
PROCEDURE: Scheduling/generating individual e-mails for prospects/customers	6.19
PROCEDURE: Scheduling/cancelling individual letters for prospects/customers	6.20
PROCEDURE: Generating individually scheduled letters for prospects/customers	6.21
PROCEDURE: Creating and generating a bulk mailing (letters or e-mails) from Discover	6.23
PROCEDURE: Uploading a prospect list into Discover Sales Control	6.28
Using the telephone	6.30
BEST PRACTICE: Incoming telephone calls	6.30
Recording prospect information	6.31
PROCEDURE: Recording prospect information in Discover	6.31
PROCEDURE: Recording prospect information – CRM (Customer Relationship Management)	6.34
Recording customer notes and memos in Discover Sales Control	6.38
PROCEDURE: Recording notes and memos in Discover Sales Control	6.35
Recording customer reminders, notes, and memos in CRM (Customer Relationship Management)	6.41
PROCEDURE: Recording reminders, notes, and memos in CRM	6.42
Scheduling phone calls	6.44
PROCEDURE: Scheduling an individual phone call in Discover	6.44
PROCEDURE: Scheduling mass phone calls in Discover	6.45
Follow-up – Unsold and missed appointment	6.47
Customer follow-up – new owner	6.49
Scheduling an appointment	6.50
PROCEDURE: Scheduling an appointment - Discover	6.50
PROCEDURE: Scheduling an appointment – CRM (Customer Relationship Management)	6.52
Turning over a prospect	6.54
PROCEDURE: Turning over a prospect in Discover	6.54
Recording other events in your calendar	6.55
Dead deals	6.56
PROCEDURE: Recommending a prospect be categorized as a dead deal - Discover	6.56
PROCEDURE: Recommending a prospect be categorized as a dead deal – CRM	6.57
Calling to confirm appointments	6.58
BEST PRACTICE: Confirming appointments	6.58
The Program Genie	6.59
Frequently asked questions and key phrases	6.60
Prospecting for business referrals	6.62
STANDARD: Sharing customer information	6.62
Business referrals and Discover	6.63
Entering/editing business referral information and creating notes	6.64
PROCEDURE: Recording/editing a business referrer in Discover	6.65
PROCEDURE: Entering a note for a business referrer in Discover	6.67
Scheduling a business referrer phone call made or to be made	6.68
PROCEDURE: Scheduling a phone call to a business referrer	6.68

Scheduling a business referrer appointment made or kept.....6.70
PROCEDURE: Scheduling an appointment with a business referrer6.70
Scheduling group phone calls for business referrers6.71
PROCEDURE: Generating phone calls for a group of business referrers6.71
Turning over a business referrer6.74
PROCEDURE: Turning over a business referrer6.74
Receiving a prospect from a business referrer.....6.76

Chapter 7 – Sales Presentation

Purpose7.1
The greeting.....7.1
PROCEDURE: Greet prospects at the lot7.2
Prospect arrives without an appointment (Lot Up)7.2
Prospect arrives for an appointment.....7.3
PROCEDURE: Recording a customer’s arrival for an appointment in CRM.....7.4
The flip chart presentation7.5
PROCEDURE: Spanish flip chart presentation using Discover7.5
PROCEDURE: Conduct a Spanish Flip Chart presentation – Discover7.7
PROCEDURE: Conduct a mobile flip chart presentation7.13
STANDARD: Retail vehicle pricing7.19
BEST PRACTICE: Trade-ins7.19

Chapter 8 – Application Process & Desking the Deal

Purpose	8.1
Taking the Customer Statement.....	8.1
STANDARD: Retail vehicle pricing.....	8.1
PROCEDURE: Accessing the Customer Statement in Discover	8.2
Customer Statement menu bar	8.4
BEST PRACTICE: Disclosure of personal information	8.4
The Customer Statement	8.5
PROCEDURE: Taking the Customer Statement – Step 1 – Contact Info Tab	8.5
PROCEDURE: Taking the Customer Statement – Step 2 – Housing tab.....	8.8
PROCEDURE: Taking the Customer Statement – Step 3 – Employment tab.....	8.11
PROCEDURE: Taking the Customer Statement – Step 4 – Financial tab.....	8.15
STANDARD: Prohibition against customer abuse	8.16
The P.R.E. (Preliminary Risk Evaluation) process	8.17
PROCEDURE: Conducting the Preliminary Risk Evaluation (P.R.E.)	8.17
The Roadmap – an application is rejected	8.22
PROCEDURE: Completing the P.R.E. sections.....	8.23
Printing the Starter Pack and Customer Statement	8.27
PROCEDURE: Printing the Starter Pack and Customer Statement	8.28
Assembling the Qualification Package	8.30
PROCEDURE: Assembling the Qualification Package	8.30
Uploading the Starter Pack to Underwriting	8.32
The Transportation Needs Analysis	8.37
PROCEDURE: Preparing the Transportation Needs Analysis.....	8.38
The trade-in	8.27
BEST PRACTICE: Trade-ins.....	8.39
Byrider website online applications	8.40
Online Approval Lite (OAL).....	8.40
Online Approval Full (OLAF)	8.43
Using OLAF for leads with a blank status	8.50
Applicant wants/needs to leave before the sale is complete.....	8.51
BEST PRACTICE: Turnover (TO).....	8.43
The Service walk	8.52
The Evidence Manual	8.52
CNAC actions	8.53
Select a vehicle(s)	8.54
PROCEDURE: Select a vehicle(s)	8.54
The Roadmap – an application is approved	8.55
Test drive	8.58
PROCEDURE: The test drive	8.59
BEST PRACTICE: Test drive	8.59
BEST PRACTICE: Dealer plates and temporary tags.....	8.59
BEST PRACTICE: Keys for vehicles.....	8.59
Structuring the deal	8.61
BEST PRACTICE: Gross profit	8.61
BEST PRACTICE: Scheduling the payment	8.61
Byrider Direct – additional deal structure considerations	8.63
Deal structure example – purchase of optional GPS Contract and Vehicle Service Contract	8.65
Entering a deal into Contract Writer	8.66
Using Contract Writer	8.66
STANDARD: First Installment Payment – No DIPs/Promissory Notes	8.81

Wholesale deals	8.83
Cash deals	8.83
STANDARD: Cash deals	8.83
Entering another deal into Contract Writer	8.84
Preliminary Purchase Worksheet	8.85
PROCEDURE: Printing the Preliminary Purchase Worksheet.....	8.85
Presenting the deal to the applicant	8.87
Receipt for down payment.....	8.90
Automobile insurance	8.90
The turnover	8.91
STANDARD: Prohibition against customer abuse	8.91
Objections to closing the deal.....	8.92
PROCEDURE: Handling objections	8.92
The financing decision	8.93
PROCEDURE: Transferring the deal to delivered in Contract Writer	8.94
The decision status screen	8.98
CRM (Customer Relationship Management) -	8.102
The P,R,E. (Preliminary Risk Evaluation) process	8.103
PROCEDURE: Conducting the Preliminary Risk Evaluation (P.R.E.)	8.103
PROCEDURE: Completing the P,R,E, sections.....	8.105
PROCEDURE: Accessing the application in CRM (Customer Relationship Management).....	8.110
Application menu bar in CRM.....	8.112
BEST PRACTICE: Disclosure of personal information	8.113
The Customer Statement (CRM).....	8.113
PROCEDURE: Taking the Customer Statement (CRM) – Step 1 – Contact tab.....	8.113
PROCEDURE: Taking the Customer Statement (CRM) – Step 2 – Housing	8.116
PROCEDURE: Taking the Customer Statement (CRM) – Step 3 – Employment tab	8.120
PROCEDURE: Taking the Customer Statement (CRM) – Step 4 – Financial tab	8.124
The Needs Analysis	8.127
PROCEDURE: Preparing the Needs Analysis (CRM)	8.128
Uploading applicant's stips in CRM	8.129
PROCEDURE: Emailing stips request and uploading (CRM)	8.129
Printing the Starter Pack including the Customer Statement (CRM)	8.134
PROCEDURE: Printing the Starter Pack, signing the Customer Statement, and sending The Application to Underwriting (CRM).....	8.135

Chapter 9 – The Closing & Delivering the Vehicle

Purpose	9.1
Laws and regulations.....	9.1
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B.....	9.2
STANDARD: Ancillary fee-based products or services.....	9.3
Transition to the closing.....	9.4
BEST PRACTICE: Pre-closing video	9.5
Background secure close	9.6
Preparing the closing documents	9.7
PROCEDURE: Prepare closing documents for signature – Secure Close	9.7
Objectives of all closings	9.14
STANDARD: Customers signing blank forms	9.14
STANDARD: Disclosing information during closing	9.14
Close with the customer – Secure Close overview	9.15
Deleting a Secure Close closing.....	9.18
PROCEDURE: Deleting a Secure close closing	9.18
Requesting Secure Close documents after the closing	9.18
What is the location’s responsibility if Secure Close makes changes to their system?	9.19
Handling closing objections	9.19
Deliver the account to CNAC’s Accounts Receivable	9.20
Preparing the vehicle for delivery	9.20
License plates.....	9.21
Delivering the vehicle to the customer.....	9.21
Completing the delivery process	9.22
Byrider Direct/CNAC communications regarding CNAC funding of the contract	9.22
Warranty/service terms.....	9.23
Follow-up after the customer is sold.....	9.24
Explanation of the TILA boxes on the Retail Installment Contract	9.25
STANDARD: Maximum finance charge rate	9.25
Explaining the finance charge calculation	9.27

Chapter 10 – Contract Administration & Cash Control

Purpose	10.1
The Office/Operations Manager/Controller	10.1
Track titles	10.2
Prepare Sales Tax forms	10.3
Cashiering and cash control	10.3
Accept the down payment on a vehicle purchase	10.4
PROCEDURE: Accept the customer's down payment on a vehicle purchase	10.4
BEST PRACTICE: Control of cash down payments	10.4
The cashier greeting	10.5
Down payments on a Service repair order	10.6
PROCEDURE: Accepting a customer's deposit on a repair order	10.6
PROCEDURE: Reversing a deposit on a repair order	10.9
Accepting payment for a Service Department repair order	10.12
PROCEDURE: Accepting payment for a Service Department vehicle repair	10.12
Balancing the cash drawer	10.15
BEST PRACTICE: Cash drawer	10.15
The Daily Cash Receipts Report	10.15
PROCEDURE: Resolve an out-of-balance condition (cash drawer)	10.15
Bank deposits	10.16
BEST PRACTICE: Adding/removing money from the cash drawer to resolve an out-of-balance condition	10.16
BEST PRACTICE: Bank deposits	10.16
Customer online payments	10.17
Funding/Deal Jacket Maintenance	10.18

Chapter 11 – Sales Associate’s Work Plan

Purpose	11.1
Sales Associate’s Timetable Overview	11.2
Finding a customer in Discover Sales Control	11.3
PROCEDURE: Locate a customer using “Last 20 Customers” in Discover	11.3
Tracking your activities in Discover	11.4
The Activity Sheet in Discover – My Goals and the Plan to Get There	11.5
The Applications tab in Discover	11.9
PROCEDURE: Monitoring applications using the Applications tab in Discover	11.9
Sold customers – red alert (Discover)	11.13
PROCEDURE: In Discover, initiating a red alert for a sold customer with an active account.....	11.13
Customer Relationship Management (CRM)	11.15
Tracking your activities in CRM (Customer Relationship Management).....	11.16
Help features on the CRM dashboard	11.17
Dashboard notifications in CRM	11.18
Tracking your goals on the CRM dashboard	11.19
The lead book on the CRM dashboard	11.23
Using the customer profile screen	11.28
PROCEDURE: Completing a call in CRM (Customer Relationship Management):.....	11.33
PROCEDURE: Recording a customer referral in CRM.....	11.35
PROCEDURE: Revert a lead to the “New” category.....	11.40

Chapter 12 – Managing Byrider Direct

Purpose	12.1
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	12.1

General Management for Sales & Vehicle Service

Accountability.....	12.3
Managing by walking around	12.4
Time management for the sales/general manager.....	12.4
Sales/General Manager's Timetable Overview	12.5
Composites report	12.6
PROCEDURE: Printing the composites report.....	12.6
Record retention plan & security	12.7
Advertising – J.D. Byrider Advertising Group	12.8
STANDARD: Advertising	12.8
PROCEDURE: Accessing Byrider Marketing Materials	12.9
An advertising plan overview	12.10
STANDARD: Advertising	12.10
Maintaining advertising sources	12.13
PROCEDURE: Maintaining advertising sources in Sales Control	12.13
PROCEDURE: Adding a location specific Source Detail in CRM	12.16
Exporting a leads list in CRM	12.17
PROCEDURE: Scheduling an export of leads in CRM	12.17
Ebyrider.com	12.20
Gramm-Leach-Bliley Privacy Act.....	12.22
STANDARD: Gramm-Leach-Bliley Privacy Act requirements.....	12.22
STANDARD: Sharing customer information.....	12.22
Customer Information Security Plan	12.22
Red Flag Program	12.23
Customer service	12.24
PROCEDURE: Handling customer concerns	12.25
Evaluating customer satisfaction – beyond the basics	12.27
Online reputation management – customer satisfaction	12.27
Responding to Red Alerts	12.29
Sales/service meetings.....	12.34
Communicating Byrider Direct performance	12.35
Auditing your Byrider Direct franchise locations	12.36
STANDARD: Compliance audits	12.36
An internal audit program	12.37
Safety.....	12.37
Considerations when hiring a vendor	12.37

Management of the Sales Department

Custom customer communications	12.39
BEST PRACTICE: Forms approval	12.39
Setting up a location's sales goals in Discover	12.40
Back-offs	12.42
STANDARD: Refund/Return of downpayment and trade-in	12.43
PROCEDURE: Backing off a cash deal	12.44
PROCEDURE: Backing off a wholesale deal	12.45
Key Result areas	12.46
BEST PRACTICE: Monitoring Key Results (Byrider Sales)	12.46
Sales volume goal	12.46
Buying goal – actual cash value (total inventory value)	12.47
Down payment goal	12.47
Cash in deal goal	12.47
BEST PRACTICE: Appraisals	12.47
Average customer payment and term goals	12.48
Average gross profit goals	12.48
Overhead goal	12.48
Monitoring variances – sales boards	12.49
BEST PRACTICE: Sales boards	12.49
Sales motivator board	12.49
Sales standing board	12.52
Managing Sales Associates' goals and activities	12.56
PROCEDURE: Setting up and editing the Sales Activity Sheet goals in Discover	12.57
PROCEDURE: Setting up and editing Sales Associate goals in CRM	12.61
PROCEDURE: Monitoring sales activities using the Sales Control Activity Dashboard	12.62
Assigning leads and managing the customer database	12.65
PROCEDURE: Assigning leads in CRM (Customer Relationship Management)	12.68
PROCEDURE: Monitoring recent leads received in CRM (Customer Relationship Management)	12.69
PROCEDURE: Management processing of a "dead" deal in CRM	12.71
Managing assigned leads and customers	12.72
PROCEDURE: Adding/changing a sales associate on a deal in Discover	12.72
PROCEDURE: Turn over a group of deals, prospects, or business referrals to another Sales Associate based on customer type in Discover	12.74
PROCEDURE:	
Turn over a Sales Associate's customers using the Sales Associate's name (Discover)	12.78
PROCEDURE: Turning over a Sales Associate's leads/customers (CRM)	12.80
PROCEDURE: Transferring/removing a Sales Associate from a location in CRM	12.83
Lead Book sharing in CRM (Customer Relationship Management)	12.85
Handling non-sufficient funds (NSF) payments – Sales/Vehicle Inventory	12.86
PROCEDURE: Recording a Sales/Vehicle Inventory related NSF	12.86
PROCEDURE: Redeeming a Sales/Vehicle Inventory related NSF	12.88
Collateral exchange	12.90

Management of the Vehicle Service Department

Service Department Manager's Timetable Overview	12.93
Setting up the Service Department in Discover	12.94
The Vehicle Service Dashboard	12.97
PROCEDURE: Printing daily appointments from Discover	12.105
Reconditioning Goal – Actual Cash Value (Total Inventory Value)	12.107
Monitoring parts and work in the Service Department	12.108
Monitoring key results	12.109
Inventory Control Board	12.109
Orangebook	12.111
PROCEDURE: Accessing the Orangebook	12.111
Recording Service Department goals in Discover	12.113
PROCEDURE: Entering Service Department goals in Discover	12.114
BEST PRACTICE: Service boards	12.117
Service Department Control Board	12.117
PROCEDURE: Printing Service (Department) Control Board	12.117
Service Motivator Board	12.118
Charge Type Report	12.121
PROCEDURE: Printing the Charge Type Report	12.121
Vehicle Service detail posting	12.123
Entering time for service technicians	12.124
Evaluating mechanics' time	12.127
Extending warranties/vehicle service contracts	12.128
PROCEDURE: Extend a warranty or Vehicle Service Contract (VSC)	12.128
Handling non-sufficient funds (NSF) payment – Service Department	12.131
PROCEDURE: Posting a vehicle service NSF	12.131
PROCEDURE: Posting a customer's payment for a vehicle service NSF	12.133
Monitoring NSF's for vehicle service work	12.135
PROCEDURE: Printing the Service NSF Report for the Vehicle Service Department	12.135
Other Service Department related websites	12.137

Chapter 13 – Customer Service & A Customer's Vehicle Repair Order

Purpose	13.1
Vehicle service after the sale	13.1
Answering incoming calls	13.2
BEST PRACTICE: Incoming telephone calls	13.2
Communication with the customer	13.3
STANDARD: Prohibition against customer abuse	13.3
STANDARD: Account confidentiality	13.3
STANDARD: Equal Credit Opportunity Act (ECOA) and Regulation B	13.3
BEST PRACTICE: Computer "Notes"	13.3
BEST PRACTICE: Offering a service or benefit	13.3
Customer Service Hotline	13.5
Tracking the repair order status of any vehicle	13.6
PROCEDURE: Using the repair order search features	13.6
Entering the Vehicle Service section of the Vehicle Module	13.8
PROCEDURE: Returning JIT parts	13.8
Vehicle Service Contract – Towing/Rental Car Reimbursement	13.8
Vehicle Service Contract – Customer requested cancellation	13.9
STANDARD: Vehicle Service Contracts	13.9
Overview of the process for repair of a customer's vehicle	13.9
Making the appointment	13.10
STANDARD: Cash deals	13.10
BEST PRACTICE: Service appointment calendar	13.11
PROCEDURE: Scheduling an appointment in Discover	13.12
PROCEDURE: Scheduling an appointment for a customer/vehicle not in Discover	13.22
Confirming appointments	13.24
BEST PRACTICE: Confirming appointments	13.24
Canceling or rescheduling a customer's appointment	13.25
PROCEDURE: Rescheduling an appointment	13.26
PROCEDURE: Canceling an appointment	13.31
When the customer arrives with their vehicle	13.33
PROCEDURE: When customer arrives without an appointment (Fixed Price Job)	13.34
PROCEDURE: When customer arrives without an appointment (NOT a Fixed Price Job)	13.39
PROCEDURE: When customer arrives for a previously scheduled appointment with vehicle	13.41
BEST PRACTICE: Service work in progress	13.42
Performing service on a customer's vehicle	13.43
BEST PRACTICE: Same day vehicle service	13.43
BEST PRACTICE: Estimates for customer repair orders	13.43
PROCEDURE: Diagnosis of problem and assessment of parts and labor required for job	13.43
PROCEDURE: Creating a cost estimate for a customer service order aka repair order (RO)	13.44
Deposits on repair orders	13.57
Ordering parts for a customer's repair order	13.57
PROCEDURE: Selecting parts for a customer RO	13.57
PROCEDURE: Creating a purchase order (PO) for JIT parts or cores for inventoried parts	13.59
PROCEDURE: Receiving JIT parts and reconciling purchase order(s)	13.61
PROCEDURE: Locking a service estimate (WRO-working repair order)	13.70
PROCEDURE: Performing and completing work on a customer's vehicle	13.73
BEST PRACTICE: Repair orders	13.75
Payment options for repair work	13.76
BEST PRACTICE: Recording amount of goodwill/policy	13.76
STANDARD: Warranty and service contracts	13.78

Customer pickup of their vehicle	13.79
BEST PRACTICE: Quality control inspection.....	13.79
BEST PRACTICE: Customer repair orders	13.79
PROCEDURE: Closing a customer's repair order (RO).....	13.80
STANDARD: Customers signing blank forms	13.91
Handling cash	13.93
Labor credits	13.94
PROCEDURE: Labor Credit – Customer Repair Order	13.94
PROCEDURE: Processing a labor credit (LABOR for replacing a defective part)	13.95
PROCEDURE: Processing a part under manufacturer's warranty - Recommended	13.100
PROCEDURE: Processing a part under manufacturer's warranty – Alternative	13.101
PROCEDURE: Reopening a Labor Credit	13.103
Reopening a closed invoice (WRO)	13.105
PROCEDURE: Re-opening a closed customer invoice/working repair order	13.105
Viewing the progress of re-opened repair orders	13.108
PROCEDURE: Tracking reopened repair order	13.108
Viewing a closed customer invoice/repair order	13.109
PROCEDURE: Viewing a closed customer invoice/repair order.....	13.109
Creating a Red Alert	13.112
Customer service programs	13.113
STANDARD: Advertising	13.113

Chapter 14 – Leading the Byrider Direct Staff

Purpose	14.1
The manager as a leader	14.2
Creating a winning environment.....	14.2
Hiring the “right” people	14.3
Onboarding	14.5
Training the staff.....	14.5
PROCEDURE: Determine training needs	14.6
OnTrack reporting.....	14.9
Setting Goals	14.11
Building the Byrider team	14.12
The manager as a coach.....	14.15
Motivating the staff.....	14.16
Empowerment.....	14.17
Conducting meetings – general guidelines	14.18
PROCEDURE: Conduct a meeting	14.18
Promoting effective communications	14.19
Managing time	14.20
Personnel administration	14.22
BEST PRACTICE: Purchase of a Byrider vehicle by an employee	14.22

Appendix A – Exhibits

Confidentiality and Non-Disclosure Agreement.....	A.1a
Laws applicable to the retail sales and financing of vehicles	A.2a
Addendum to the Byrider Confidential Operating Manual (Ohio operators only).....	A.3a
Addendum to Byrider Confidential Operating Manual (Kentucky operators only).....	A.4a
Dealership Daily Duty Roster	A.5a
Related Finance Company (CNAC) Worksheet	A.6a
Board of Director's Consent Resolution and Exhibit A	A.7a
Agreement to Purchase Automobile Contracts	A.8a
Financing Services Agreement.....	A.9a
Requirements from the ECOA.....	A.10a
Byrider Franchising Forms Program.....	A.11a
Limited Warranty Coverage (Repairs Covered)	A.12a
Byrider Deal Jacket Checklist.....	A.13a
Predictive Index (PI) Survey	A.14a
What can and can't I ask in an interview	A.15a
Non-Competition Agreement.....	A.16a
Byrider/CNAC Anti-Money Laundering Plan	A.17a
Byrider/CNAC Whistleblower Policy	A.18a
Byrider/CNAC Fair Credit Policy & Acknowledgement.....	A.19a
Byrider/CNAC Red Flag and Identity Theft Program.....	A.20a
Gramm Leach Bliley Act Chief Privacy Officer Guide	A.21a
Buyer's Auction Log.....	A.22a
Inventory Log Book.....	A.23a
Byrider Vehicle Categories	A.24a
Comprehensive Inspection Requirements	A.25a
Vehicle Lot Ready Report.....	A.26a
This Vehicle Not for Sale sign	A.27a
Daily Driving Log.....	A.28a
Shop Maintenance Schedule.....	A.29a
Medical Supply Order Form.....	A.30a
Service Safety Meeting.....	A.31a
New Vehicle Check In Sheet	A.32a
Item Code List.....	A.33a
Item Codes Covered Under Limited Warranty	A.34a
Solutions By Text Instructions	A.35a

Appendix B – Standards and Best Practices

Standards	B.1
Best practices	B.9

Glossary

PAGE INTENTIONALLY LEFT BLANK

SALES TRAINING (Byrider University)

This course is designed to train new Byrider Sales personnel how to operate within the Byrider Sales and Finance Process and to reinforce skills previously learned by experienced Sales personnel. This is a hands-on course where students will role play various sales activities and practice Discover Sales Control applications.

Materials covered in the first two days of the course include: the history of Byrider and its mission and values; the relationship between Byrider and CarNow Acceptance Company (CNAC); all sales elements of the Byrider Sales and Finance Process; the use of the Sales Control module in Discover; and standards of operation that apply to the sales force.

The focus of the third day is on: inventory control; personnel management issues to include goal setting, hiring, and training; sales management daily and weekly duties; the identification and correction of operating variances to include the use of boards and reports; control of deal structure; and expense control.

VEHICLE SERVICE OPERATIONS AND MANAGEMENT (Byrider University)

This three-day course is designed for personnel responsible for managing the Service Department of a Byrider store. Subjects covered include an explanation and hands on practice in Discover for vehicle reconditioning and servicing customers' vehicles. Additional topics presented include management of: shop workload; vendors; parts inventories; vehicle inventory; safety and environmental issues; shop maintenance; service department goals with boards and reports; and personnel.

CNAC TRAINING (Byrider University)

This course is designed for CNAC personnel, including the Underwriter, Finance Manager, Account Representative (Collector), or Portfolio Manager. Topics covered include: an introduction to the Byrider/CNAC business model; operating standards and historical information on CNAC trends; the use of the Collections module in Discover; collection do's and don'ts; phone etiquette; legal issues associated with collecting; NSF procedures; in office interviews and collection letters; outside collections; correlation between A.R.E. and static pool; and administrative/legal responsibilities relating to data security. There is a hands-on review of real life underwriting decisions on individual deals, practice in Discover, and role play of collections scenarios. The course also covers a management perspective on collections, repossessions, skip tracing, back offs, charge offs, bad debt recovery, personnel administration, collateral exchange/reduced gross rule on insurance losses, and management level report analysis.

INITIAL TRAINING PROGRAM

The Initial Training Program is for the Designated Manager consisting of approximately two (2) weeks of combined classroom and on the job instruction pertaining to operation of the Franchisee's business that may include sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, reporting procedures, and other operational issues.

ONTRACK

OnTrack is the Byrider/CNAC online training site. Multiple certification paths are offered for positions from a Sales/General Manager to a Cashier or Detailer. Courses and materials are available for special situations, such as the annual Tax Program. In addition to courses created in house, many are available from training partners in areas of leadership and governmental compliance.

EXHIBIT F
TO
FRANCHISE DISCLOSURE DOCUMENT

ACCEPTANCE AND ASSUMPTION OF OBLIGATIONS (Financing Division)

THIS ACCEPTANCE AND ASSUMPTION OF OBLIGATIONS (the “**Agreement**”) is made as of the Effective Date by and between **BYRIDER FRANCHISING, LLC (“us”)**, [REDACTED] (“**Franchisee**”), [REDACTED], a [REDACTED] having its principal place of business at the same address as the Franchisee (the “**Finance Entity**”), and the undersigned Guarantors. The Effective Date is the date we sign this Agreement as shown beneath our signature on the signature page.

RECITALS

A. We and Franchisee are parties to a Franchise Agreement, dated [REDACTED], pursuant to which we granted Franchisee the right and license, and Franchisee undertook the obligation, to own and operate a Business, including both a Byrider sales division and a CNAC finance division, at [REDACTED] (the “**Franchise Agreement**”). Each of the undersigned Guarantors has executed a Personal Guaranty and Assumption of Franchisee’s Obligations (each a “**Guarantee Agreement**”).

B. Franchisee has advised us that it has created the Finance Entity for purposes of conducting the CNAC financing and collection portion of the Business (the “**Financing Activities**”) under and as described in the Franchise Agreement.

C. We are willing to consent to the operation of the Finance Entity, as described in Recital B, subject to the terms and conditions set forth in this Agreement.

D. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals (which are incorporated in and made a part of this Agreement), the covenants contained herein, and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Our Consent.** We hereby consent to your conducting the Financing Activities through the Finance Entity during the Term of the Franchise Agreement, provided that the Finance Entity is and remains either your wholly owned subsidiary or your Affiliate whose owners, and the percentages of the ownership held by each, mirror your ownership structure.

2. **Acceptance and Assumption of Franchise Agreement.** The Finance Entity hereby joins in, accepts and assumes all of the obligations of the “Franchisee” under the Franchise Agreement as if it were a signatory to the Franchise Agreement. The parties agree that all references in the Franchise Agreement to “Franchisee” shall be deemed to be references to both the Finance Entity and you, jointly and severally, and that the Finance Entity’s rights with respect to the Financing Activities derive solely from the Franchise Agreement. The Finance Entity and you agree that, unless we provide our prior written consent (which we may withhold or condition at our discretion), the sole business of the Finance Entity will be, and that it will engage only in, the Financing Activities as they relate to the Business and, further, that it will engage in the Financing Activities in strict compliance with the Franchise Agreement.

3. **Responsibility for the Acts of the Finance Entity.** The grant of our consent under this Agreement is an accommodation to you and is not intended to bifurcate accountability for the “Franchisee’s” obligations described in the Franchise Agreement. The Finance Entity and you each acknowledge and agree that an act or omission of one will be deemed to be the act or omission of the other, and each will be responsible for the consequences of that act or omission irrespective of who committed it. Further, a breach by either the Finance Entity or you of the Franchise Agreement will constitute a breach of the entire Franchise Agreement, and both the Finance Entity and you will bear liability for such breach, jointly and severally. While we may elect to do so, we are not required to proceed against the Finance Entity and you jointly or to proceed against one before proceeding against the other.

4. **Personal Guarantees.** Each of the undersigned Guarantors agrees that its guarantee under the Guarantee Agreement of the performance of the “franchisee” shall be deemed to be a guarantee of the performance of both the Finance Entity and you and that all references in the Guarantee Agreement to “franchisee” are deemed to be references to both.

5. **Dispute Resolution.** Any disputes involving this Agreement shall be resolved in accordance with and pursuant to the provisions of the Franchise Agreement applicable to the resolution of disputes under the Franchise Agreement. The parties hereby adopt and incorporate herein all such provisions of the Franchise Agreement (including, without limitation, provisions regarding the obligation to arbitrate, choice of law, and venue).

6. **Miscellaneous.** This Agreement constitutes the entire understanding between the parties with respect to the transaction this Agreement contemplates. This Agreement may be executed in multiple copies, each of which will be deemed an original. Signatures transmitted via facsimile or scanned and emailed shall be given the same force and effect as an original.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Effective Date.

BYRIDER FRANCHISING LLC

By: _____

Name: Craig S. Peters

Its: President

Date*: _____

(*This is the Effective Date)

GUARANTOR:

Sign: _____

Name: _____

Date: _____

FINANCE ENTITY:

By: _____

Name: _____

Its: _____

Date: _____

FRANCHISEE:

By: _____

Name: _____

Its: _____

Date: _____

EXHIBIT G
TO
FRANCHISE DISCLOSURE DOCUMENT

State Agencies:

(CALIFORNIA) CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, 2101 ARENA BOULEVARD, SACRAMENTO, CA 95834;

(HAWAII) SECURITIES EXAMINER, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, SECURITIES COMPLIANCE BRANCH, 335 MERCHANT STREET, ROOM 203, HONOLULU, HAWAII 96813

(ILLINOIS) ILLINOIS ATTORNEY GENERAL'S OFFICE, 500 SOUTH SECOND STREET, SPRINGFIELD, ILLINOIS 62706, WHICH ADMINISTERS AND ENFORCES THE ILLINOIS FRANCHISE DISCLOSURE ACT;

(INDIANA) SECURITIES COMMISSION, 302 WEST WASHINGTON ST, RM. E-111, INDIANAPOLIS, INDIANA 46204;

(MARYLAND) OFFICE OF THE ATTORNEY GENERAL, DIVISION OF SECURITIES, 200 ST. PAUL PLACE, BALTIMORE, MARYLAND 21202;

(MICHIGAN) CONSUMER PROTECTION DIVISION, DEPARTMENT OF THE ATTORNEY GENERAL, 670 LAW BUILDING, LANSING, MICHIGAN 48913;

(MINNESOTA) COMMISSIONER OF COMMERCE, 85 7TH PLACE EAST, SUITE 280, ST. PAUL, MINNESOTA 55101, WHICH ADMINISTERS AND ENFORCES THE MINNESOTA FRANCHISE ACT;

(NEW YORK) NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY ST. 21ST FL, NEW YORK, NEW YORK 10005;

(NORTH DAKOTA) SECURITIES COMMISSIONER, 600 EAST BOULEVARD, BISMARCK, NORTH DAKOTA 58505;

(RHODE ISLAND) RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION, SECURITIES DIVISION, JOHN O. PASTORE COMPLEX, 1511 PONTIAC AVENUE, BUILDING 69-1, CRANSTON, RI 02910;

(SOUTH DAKOTA) DIVISION OF INSURANCE, SECURITIES REGULATION, 124 S. EUCLID SUITE 104, PIERRE, SD 57501;

(VIRGINIA) COMMONWEALTH OF VIRGINIA, CORPORATION COMMISSION, P.O. BOX 1197, RICHMOND, VIRGINIA 23209;

(WASHINGTON) DEPARTMENT OF FINANCIAL INSTITUTIONS, P.O. BOX 9033, OLYMPIA, WASHINGTON 98507-9033;

(WISCONSIN) COMMISSIONER OF SECURITIES, 201 W. WASHINGTON AVENUE, SUITE 300, MADISON, WISCONSIN 53703, WHICH ADMINISTERS AND ENFORCES THE WISCONSIN FRANCHISE INVESTMENT LAW.

The name and address of the Company's agent in the following states authorized to receive service for process is:

(**CALIFORNIA**, in relation to matters arising under the Franchise Investment Law) Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, CA 95834;

(**HAWAII**) Commissioner of Securities, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813;

(**ILLINOIS**) Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706;

(**INDIANA**) Secretary of State, 201 State House, Indianapolis, Indiana 46204;

(**MARYLAND**) Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202;

(**MICHIGAN**) Corporation & Securities Bureau, Department of Commerce, P.O. Box 30222, Lansing, Michigan 48909;

(**MINNESOTA**) Commissioner of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101;

(**NEW YORK**) Secretary of State, 99 Washington Avenue, Albany, New York 12231;

(**NORTH DAKOTA**) Securities Commissioner, 600 East Boulevard, Bismarck, North Dakota 58505;

(**RHODE ISLAND**) Rhode Island Department of Business Regulation, Securities Division, John O. Pastore Complex, 1511 Pontiac Avenue, Building 69-1, Cranston, RI 02910;

(**SOUTH DAKOTA**) Division of Insurance, Securities Regulation, 124 S. Euclid Suite 104, Pierre, SD 57501;

(**VIRGINIA**) Commonwealth of Virginia, Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209;

(**WASHINGTON**) Department of Financial Institutions, Securities Division, 150 Israel Road SW, Tumwater, WA 98501;

(**WISCONSIN**) Commissioner of Securities, 201 W. Washington Avenue, Suite 300, Madison, Wisconsin 53703.

EXHIBIT H
TO
FRANCHISE DISCLOSURE DOCUMENT

List of Franchisees Who Left the System

Terminated

Matt Enderlin (**AR107 - Russellville**) – continues to operate other Byrider locations
Fort Smith, AR 72908
501-975-1100

Transferred

N/A

Canceled

N/A

Not Renewed

N/A

Inactive

Dave Hanson (**AR108 - Fayetteville**) – pending relocation
Fayetteville, AR 72704
479-380-1887

Jonathan Gandolfo (**TN109 - Memphis**) – continues to operate other Byrider locations
Columbia, SC 29204
803-748-9331

EXHIBIT I
TO
FRANCHISE DISCLOSURE DOCUMENT

RENEWAL ADDENDUM
TO FRANCHISE AGREEMENT

This **RENEWAL ADDENDUM TO FRANCHISE AGREEMENT** (this “**Addendum**”) dated as of _____ (the “**Effective Date**”) amends and supplements certain terms and conditions of the Renewal Franchise Agreement dated _____ (the “**Renewal Franchise Agreement**”) entered into between **BYRIDER FRANCHISING, LLC** (the “**Company**”) and _____ and _____ (collectively the “**Franchisee**”). In the event of any conflict between the terms of the Renewal Franchise Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Renewal Franchise Agreement.

1. **Background.** Franchisee and the Company are parties to that certain Franchise Agreement dated _____ (the “**Existing Franchise Agreement**”), which is scheduled to expire on _____, pursuant to which Franchisee operates a Byrider sales division (the “**Business**”) located at _____ (the “**Business Location**”). Franchisee desires to obtain a renewal of its franchise for the operation of the Business by executing the Company’s current form of franchise agreement simultaneously herewith.

2. **Training and Assistance.** Franchisee acknowledges that, as of the Effective Date, Franchisee and the Franchisee’s Managers have completed the training requirements pursuant to Section 6.1 of the Renewal Franchise Agreement. Franchisee further acknowledges and agrees that the Company has complied with its obligations (or Franchisee waives, as the case may be, the Company’s obligations) under the Renewal Franchise Agreement to: (a) provide training as provided in Section 6.1(A), (b) install Franchisee’s computer system as provided in Section 6.1(C), (c) provide on-site assistance as provided in Section 6.6, and (d) provide assistance with the Grand Opening as provided in Section 6.7.

3. **Lease Approval.** Section 7.3 of the Renewal Franchise Agreement is hereby deleted and replaced in its entirety with the following:

7.3 Lease of Business Location. The Company has previously approved a lease (or sublease) for the Business Location. Provided that Franchisee continues to operate Franchisee’s Business under such approved lease (or sublease), or exercises an option to renew thereunder, the Company waives any requirement for lease review and approval set forth below. If, however, the terms of such approved lease (or sublease) are amended, or Franchisee desires to enter into a new lease (or sublease) for the Business Location, such new or amended lease (or sublease) shall be subject to the Company’s review and approval. The Company’s review of and consent to the lease are limited to those provisions and items that the Company believes are necessary and appropriate solely for its own purposes and its own benefit as the licensor of the Marks and the System. The Franchisee has been

advised to obtain the advice of its own professional advisors before the Franchisee signs or makes any adjustments to the lease to accommodate its operation of the Franchisee's Business. In the event Franchisee or its affiliate owns the approved Business Location, Franchisee agrees that upon termination of this Agreement by Company due to Franchisee's breach or termination by Franchisee without cause prior to the scheduled expiration according to 5.1 herein, Franchisee or its affiliate will, at Company's election, lease the Business Location to Company or its affiliate at market rent for a term of two (2) years.

4. **Opening.** Section 7.4 of the Renewal Franchise Agreement is hereby deleted.

5. **Initial Franchise Fee.** Section 9.1 of the Renewal Franchise Agreement is hereby deleted.

6. **Right to Terminate Prior to Opening.** Section 16.1 of the Renewal Franchise Agreement is hereby deleted.

7. **Termination of Existing Franchise Agreement.** Upon execution of this Addendum and the Renewal Franchise Agreement, the Existing Franchise Agreement shall terminate and be of no further force or effect.

8. **Release.** Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the "**Releasing Parties**"), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the "**Company Parties**"), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, "**Claims**"), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Existing Franchise Agreement or any other agreement between Franchisee or any of the other Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE'S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

9. **Other Terms.** All other terms of the Renewal Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of this Addendum.

BYRIDER FRANCHISING, LLC

[FRANCHISEE]

By _____
Craig S. Peters, President

By _____
[Name], [Title]

Date: _____

Date: _____

[CO-FRANCHISEE]

By _____
[Name], [Title]

Date: _____

EXHIBIT J
TO
FRANCHISE DISCLOSURE DOCUMENT

ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR MULTI-LOCATION FLAT RATE OPTION

This Addendum to Franchise Agreement for Multi-Location Flat Rate Option (“Addendum”) modifies the Franchise Agreement dated _____, identified as # _____ (“Franchise Agreement”) entered into between Byrider Franchising, LLC (“Company”) and _____ and _____ (collectively “Franchisee”).

WHEREAS, in addition to the Franchise Agreement, Franchisee, or its affiliate, has signed a franchise agreement with Company prior to January 1, 2021 for the operation of at least one (1) business in the System and under the Marks in addition to the Franchisee’s Business;

WHEREAS, Franchisee qualifies for, or has previously qualified for and elected to pay, the Multi-Location Flat Rate (“MLFR”);

WHEREAS, the Company will allow Franchisee to pay the MLFR instead of the Royalty Fee provided in Section 3.10 of the Franchise Agreement in accordance with the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and Franchisee hereby agree as follows:

1. Royalty Fee. Section 3.10 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

3.10 **Royalty Fee**. The Royalty Fee commencement date is the earlier of the date the Franchisee’s Business is open to the public or the one-year anniversary of the date of this Agreement. The term “Royalty Fee” shall mean the amount calculated monthly as follows:

Number of Byrider Businesses	Legacy Founder Franchisee or Interim Founder Franchisee	Legacy Interim Founder Franchisee or Standard Franchisee or Legacy Standard Franchisee
1	\$10,540.00	\$11,594.00
2	\$10,540.00	\$10,540.00
3	\$9,486.00	\$9,486.00
4	\$8,432.00	\$8,432.00
5	\$7,378.00	\$7,378.00
6	\$6,324.00	\$6,324.00
7	\$6,324.00	\$6,324.00
8	\$6,324.00	\$6,324.00
9	\$6,324.00	\$6,324.00
10	\$6,324.00	\$6,324.00
10+	\$6,324.00	\$6,324.00

All dollar figures represent fixed dollar Royalty Fee due per month for Franchisee’s Business and any other Byrider businesses that Franchisee (or its affiliate(s)) operate. The amount owed for each location is calculated by dividing the sum of the amounts designated in the Category Designation by the number of Byrider Franchised Locations. For example, if Franchisee has a “Legacy Interim Founder Franchisee” Category Designation, it will pay a Royalty Fee of \$10,540 per month, calculated as follows: (a) \$11,594 for the first Byrider Business, plus \$10,540 for the second Byrider Business, plus \$9,486 for the third Byrider Business (in this case, \$31,620), (b) divided by the number of Byrider Businesses that Franchisee (or its affiliate(s)) operate (in this case, three Byrider Businesses), which, in this case, would require (i) Franchisee to pay a Royalty Fee of \$10,540 per month for the Franchisee’s Business under the Franchise Agreement and (ii) Franchisee (or its affiliate(s)) to pay \$10,540 for each of the other Byrider Businesses.

Unaffiliated Assignment of Retail Installment Contracts. Franchisee may sell and assign retail installment contracts to unaffiliated third parties (each or collectively “Third Party”); provided, however: (i) Franchisee must obtain Company’s approval of the Third Party, which Company shall not unreasonably withhold; and (ii) Franchisee may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of Franchisee’s Gross Sales 12-month rolling monthly average.

Third Party Financed Sales Fee. Franchisee shall pay to Company the amount stated below per contract sold or assigned at time of vehicle sale from Franchisee’s dealer entity to Third Party (“Third Party Financed Sales Fee”) based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

2. Royalty Fee Increase. The Company and Franchisee acknowledge and agree that the Company reserves the right to increase the Royalty Fees set forth in Section 3.10 of the Franchise Agreement, as amended by this Addendum, by the National Consumer Price Index for All Urban Consumers (CPI-U) – All Items (1982-1984 = 100) for the most recent 12-month period from October through September as published by the U.S. Department of Labor, or a successor index. Any increase will be uniformly applied to all franchisees under the same form of franchise agreement. The Company will notify Franchisee in writing on or before December 1st of each calendar year as to any changes in the amounts for the following calendar year.

3. Category Designation. For purposes of Section 3.10 of the Franchise Agreement, as revised by this Amendment, Franchisee will receive the Category Designation provided on Exhibit A to this Addendum.

4. Representation of Ownership. Franchisee represents and warrants, on its behalf and on behalf of its affiliates, that that it and they have at least 51% in common equity ownership and voting control among the Byrider Businesses that it and they own (the “Ownership Qualification”). If Franchisee, or its affiliates, no longer meet the Ownership Qualification, then Franchisee will no longer qualify for, and pay, the MLFR and will instead pay the Royalty Fee as originally provided under the Franchise Agreement.

5. Traditional Royalty Fee. If Franchisee signed an Addendum to Franchise Agreement for Traditional Royalty Fee in connection with the Franchise Agreement (“Traditional Royalty Fee Addendum”), the Company acknowledges and agrees that this Addendum shall supersede the Traditional Royalty Fee Addendum, so long as Franchisee (and its affiliates, if applicable): (i) continue to qualify for, and elect to pay, the MLFR; (ii) continue to operate at least two Byrider Businesses; and (iii) remain in compliance with the Franchise Agreement and all other agreements with the Company and its affiliates. If Franchisee (or its affiliates, if applicable) fail to comply with the foregoing conditions, Franchisee will immediately be required to comply with the obligations under the Traditional Royalty Fee Addendum (including the obligation to pay the Royalty Fee due thereunder).

6. Release. Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the “Releasing Parties”), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the “Company Parties”), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, “Claims”), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Franchise Agreement or any other agreement between Franchisee or any of the other Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE’S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

All other terms of the Franchise Agreement shall remain in full force and effect.

Byrider Franchising, LLC

By _____
Craig S. Peters, President

By _____
Printed:
Title: President

Date: _____

Date: _____

By _____
Printed:
Title: President

Date: _____

By its signature below, Franchisee hereby acknowledges that it does NOT elect to pay the Multi-Location Flat Rate royalty fee at this time, and thus, this Addendum to Franchise Agreement for Multi-Location Flat Rate Option does not in any way amend the Franchise Agreement. Notwithstanding the foregoing, if Franchisee elects to pay the Multi-Location Flat Rate royalty fee in the future, it must notify Byrider Franchising, LLC in writing and sign its then-current Addendum to Franchise Agreement for Multi-Location Flat Rate Option. Byrider Franchising, LLC reserves all rights.

By _____
Printed:
Title: President

Date: _____

EXHIBIT A
TO
ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR MULTI-LOCATION FLAT RATE OPTION

Franchisee's Category Designation for purposes of the MLFR under the Franchise Agreement shall be:

- ☐ Legacy Founder Franchisee
- ☐ Interim Founder Franchisee
- ☐ Legacy Interim Founder Franchisee
- ☐ Standard Franchisee
- ☐ Legacy Standard Franchisee

EXHIBIT K
TO
FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR TRADITIONAL AND LEGACY ROYALTY FEE**

This Addendum to Franchise Agreement for Traditional Royalty Fee (“Addendum”) modifies the Franchise Agreement dated _____, identified as # _____ (“Franchise Agreement”) entered into between Byrider Franchising, LLC (“Company”) and _____ and _____ (collectively “Franchisee”).

WHEREAS, in addition to the Franchise Agreement, Franchisee, or its affiliate, has signed a franchise agreement with Company prior to January 1, 2021 for the operation of at least one (1) business in the System and under the Marks in addition to the Franchisee’s Business.

WHEREAS, the Company will allow Franchisee to pay a modified Royalty Fee instead of the Royalty Fee provided in Section 3.10 of the Franchise Agreement in accordance with the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and Franchisee hereby agree as follows:

1. Royalty Fee. Section 3.10 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

A. For “Legacy Founder Franchisees,” “Interim Founder Franchisees,” “Legacy Interim Founder Franchisees,” and “Standard Franchisees”:

3.10 **Royalty Fee.** The Royalty Fee commencement date is the earlier of the date the Franchisee’s Business is open to the public or the one-year anniversary of the date of this Agreement. The term “Royalty Fee” shall mean that amount calculated monthly as follows:

Gross Sales (Byrider Vehicle Sales):

A. For Franchisee’s Byrider retail installment contracts assigned to Franchisee’s affiliated CNAC entity: the greater of \$6,000 or 2.5% of the Franchisee’s Gross Sales (Byrider Vehicle Sales) (as defined above in Section 3.7) with a maximum monthly payment of: \$8,500 for “Legacy Founder Franchisees” and “Interim Founder Franchisees;” or \$10,000 for “Legacy Interim Founder Franchisees” and “Standard Franchisees”.

B. Unaffiliated Assignment of Retail Installment Contracts. Franchisee may sell and assign retail installment contracts to unaffiliated third parties (each or collectively “Third Party”); provided, however: (i) Franchisee must obtain Company’s approval of the Third Party, which Company shall not unreasonably withhold; and (ii) Franchisee may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of Franchisee’s Gross Sales 12-month rolling monthly average.

Third Party Financed Sales Fee. Franchisee shall pay to Company the amount stated below per contract sold or assigned at time of vehicle sale from

Franchisee's dealer entity to Third Party ("Third Party Financed Sales Fee") based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

plus,

Gross Receipts (CNAC and Repair Center Collections):

1% of Franchisee's Gross Receipts (CNAC and Repair Center Collections) (as defined above in Section 3.7).

plus,

Volume Surcharge:

\$105.40 for every vehicle sold at retail (whether financed or sold for cash) in excess of 75 vehicles per Business Location per calendar month.

B. For "Legacy Standard Franchisees":

3.10 Royalty Fee. The Royalty Fee commencement date is the earlier of the date the Franchisee's Business is open to the public or the one-year anniversary of the date of this Agreement. The term "Royalty Fee" shall mean that amount calculated monthly as follows:

Gross Sales (Byrider Vehicle Sales):

A. If this Franchise Agreement is an initial franchise agreement (not a renewal) ("Initial Franchise Agreement"):

1) During the first year of operation of Franchisee's Business: \$5,500 per month; and

2) After the first year of operation of Franchisee's Business: the greater of \$7,800 per month or 1% of the Franchisee's Gross Sales (Byrider Vehicle Sales) for that month.

B. If this Franchise Agreement is not an initial franchise agreement but is instead a renewal ("Renewal Franchise Agreement"): beginning on the execution date of this Franchise Agreement the greater of \$7,800 per month or 1% of the Franchisee's Gross Sales (Byrider Vehicle Sales) for that month.

The foregoing \$7,800 minimum monthly payment provided in subsections A and B above is for the 2023-2024 calendar years. That minimum monthly payment will increase by 4.0% on January 1st of every other year (for example, it will increase by 4.0% on January 1, 2025 and increase by another 4.0% on January 1, 2027, etc.) throughout the Term (as defined in Section 5.1).

plus,

Gross Receipts (CNAC and Service Center Collections):

If this Franchise Agreement is an Initial Franchise Agreement, after the first year of operation of Franchisee's Business or, if applicable, if this Franchise Agreement is a Renewal Franchise Agreement, upon execution, 1.90% of Franchisee's Gross Receipts (CNAC and Service Center Collections) throughout the remaining Term of this Agreement; *provided, however*, if this is Franchisee's third (or subsequent) Franchise Agreement that it has entered into with the Company, then Franchisee shall pay 1.65% of Franchisee's Gross Receipts (CNAC and Service Center Collections) throughout the remaining Term of this Agreement, so long as (i) Franchisee is in compliance with all other Franchise Agreements with the Company; and (ii) Franchisee continues to operate at least two (2) additional Businesses under separate Franchise Agreements with the Company that are open to the public. In the event Franchisee fails to meet any of the foregoing conditions, Franchisee shall pay 1.90% of Franchisee's Gross Receipts (CNAC and Service Center Collections) for the remaining Term of this Agreement.

plus,

Unaffiliated Assignment of Retail Installment Contracts. Franchisee may sell and assign retail installment contracts to unaffiliated third parties (each or collectively "Third Party"); provided, however: (i) Franchisee must obtain Company's approval of the Third Party, which Company shall not unreasonably withhold; and (ii) Franchisee may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of Franchisee's Gross Sales 12-month rolling monthly average.

Third Party Financed Sales Fee. Franchisee shall pay to Company the amount stated below per contract sold or assigned at time of vehicle sale from Franchisee's dealer entity to Third Party ("Third Party Financed Sales Fee") based on the vehicle selling price:

<u>Vehicle Selling Price</u>	<u>Third Party Financed Sales Fee</u>
\$0 - \$5,000	\$100
\$5,001 - \$10,000	\$200
\$10,001+	\$300

2. Monthly Combined Royalty Cap. Notwithstanding the terms and conditions provided in Section 1 of this Addendum, the Royalty Fee that Franchisee will pay will be subject to the following maximum monthly payments (the "Monthly Combined Royalty Cap"):

Category Designation	Monthly Combined Royalty Cap*
Legacy Founder Franchisee	\$10,540 per month
Interim Founder Franchisee	\$10,540 per month
Legacy Interim Founder Franchisee	\$12,648 per month
Standard Franchisee	\$12,648 per month
Legacy Standard Franchisee	N/A – no cap

3. Volume Surcharge and Royalty Cap Increases. The Company and Franchisee acknowledge and agree that the Company reserves the right to increase the Volume Surcharge set forth in Section 3.10 of the Franchise Agreement, as amended by this Addendum, and the Monthly Combined Royalty Cap by the National Consumer Price Index for All Urban Consumers (CPI-U) – All Items

(1982-1984 = 100) for the most recent 12-month period from October through September as published by the U.S. Department of Labor, or a successor index. Any increase will be uniformly applied to all franchisees under the same form of franchise agreement. The Company will notify Franchisee in writing on or before December 1st of each calendar year as to any changes in the amounts for the following calendar year.

4. Category Designation. For purposes of Section 3.10 of the Franchise Agreement, as revised by this Amendment, Franchisee will receive the Category Designation provided on Exhibit A to this Addendum.

5. Release. Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the “Releasing Parties”), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the “Company Parties”), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, “Claims”), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Franchise Agreement or any other agreement between Franchisee or any of the other Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE’S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF

KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

All other terms of the Franchise Agreement shall remain in full force and effect.

Byrider Franchising, LLC

By _____
Craig S. Peters, President

By _____
Printed:
Title: President

Date: _____

Date: _____

By _____
Printed:
Title: President

Date: _____

EXHIBIT A
TO
ADDENDUM TO FRANCHISE AGREEMENT #_____
FOR TRADITIONAL AND LEGACY ROYALTY FEE

Franchisee's Category Designation for purposes of the Royalty Fee under the Franchise Agreement shall be:

- ☐ Legacy Founder Franchisee
- ☐ Interim Founder Franchisee
- ☐ Legacy Interim Founder Franchisee
- ☐ Standard Franchisee
- ☐ Legacy Standard Franchisee

EXHIBIT L
TO
FRANCHISE DISCLOSURE DOCUMENT

VETERAN DISCOUNT ADDENDUM
TO FRANCHISE AGREEMENT

This **VETERAN DISCOUNT ADDENDUM** (this “**Addendum**”) dated as of _____ (the “**Effective Date**”) amends and supplements certain terms and conditions of the Franchise Agreement dated _____ (the “**Franchise Agreement**”) entered into between **BYRIDER FRANCHISING, LLC** (the “**Company**”) and _____ (the “**Franchisee**”). In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

WHEREAS, Franchisee (or if a legal entity, Franchisee’s owner(s)) [is/are] a veteran of the United States Armed Forces; and

WHEREAS, the Company has agreed to charge Franchisee a reduced initial franchise fee on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Franchisee hereby agree as follows:

1. **Initial Franchise Fee**. The Company and Franchisee agree and acknowledge that the Initial Franchise Fee provided in Section 3.8 of the Franchise Agreement shall be \$50,000.
2. **Other Terms**. All other terms of the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of this Addendum.

BYRIDER FRANCHISING, LLC

[FRANCHISEE]

By _____
Craig S. Peters, President

By _____
[Name], [Title]

Date: _____

Date: _____

EXHIBIT M
TO
FRANCHISE DISCLOSURE DOCUMENT

**ADDITIONAL DISCLOSURE FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
BYRIDER FRANCHISING LLC**

The following are additional disclosures for the Franchise Disclosure Document of Byrider Franchising LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES BYRIDER FRANCHISING TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE BYRIDER FRANCHISING ASKS YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. BYRIDER FRANCHISING'S WEBSITES, www.byrider.com AND www.byriderfranchise.com, HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The following is added at the end of Item 3 of the Disclosure Document:

Neither Byrider Franchising, its parent, or its affiliate nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following language is added to Item 5 of the Disclosure Document:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

6. The following is added at the "Remarks" column in the "Interest" row of the table provided in Item 6 of the Disclosure Document:

The highest rate of interest allowed by California law is 10% annually.

7. The following language is added to the end of the chart in Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the aforementioned law, and the aforementioned law applies, it will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.) but Byrider Franchising will enforce it to the extent enforceable.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Indiana with certain exceptions. These provisions may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims on renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

8. The following is added at the end of Item 19 of the Disclosure Document:

You should conduct an independent investigation of the costs and expenses you will incur in operating your Business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

ILLINOIS

1. You are encouraged to thoroughly review Item 3, which discloses extensive material litigation involving Byrider Franchising, LLC.

2. The following language is added to Item 5:

Byrider Franchising has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Illinois, pursuant to Section 200.505 of the Rules. The Illinois Attorney General's Office imposed the bond requirement due to Company's financial condition.

3. The "Summary" section of Item 17(w) entitled "**Choice of forum**" is deleted in its entirety.

4. The "Summary" section of Item 17(x) entitled "**Choice of law**" is deleted in its entirety and replaced with the following:

Except for the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. 1051 et seq.), the United States Arbitration Act (9 U.S.C. 1 et seq.), or other federal law, Illinois law shall apply to and govern the Franchise Agreement.

5. The following language is added to the end of the chart in Item 17:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon termination and non-renewal of the franchise are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

MARYLAND

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled **Requirements for franchisee to renew or extend**, and Item 17(n), entitled **Conditions for franchisor approval of transfer**:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” section of Item 17(h), entitled **“Cause” defined – non-curable defaults:**

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of Law**:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

5. The following language is added to Item 5:

Byrider Franchising has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Maryland. The State of Maryland’s Office of the Attorney General imposed the bond requirement due to Company’s financial condition.

MINNESOTA

1. The following is added to the end of the table in Item 17 of the Disclosure Document:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit Byrider Franchising from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises

Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release as a condition of renewal and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

2. The following sentence is added to Item 21 of the Disclosure Document:

To secure the compliance by Company with its franchise contract in accordance with Minnesota Statutes, Section 80C.05 and Minnesota Rules, Part 2860.1900, Byrider Franchising has posted a Minnesota Surety Bond; the amount is the initial franchise fee times the number of franchises projected to be opened in Minnesota (Item 20 in Franchise Disclosure Document).

NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. BYRIDER FRANCHISING MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, BYRIDER FRANCHISING CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to Byrider Franchising, its predecessor, a person identified in Item 2, or an affiliate offering franchises under Byrider Franchising's *principal trademark*:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or

securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices; or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither Byrider Franchising, its affiliate, predecessor, officers or general partners, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document, have, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; or (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to Item 5:

Byrider Franchising applies the initial franchise fee to defray its costs for site review and approval, sales, legal compliance, salary, and general administrative expenses and profits.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for you to renew or extend**" and Item 17(m), entitled "**Conditions for Byrider Franchising's approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), entitled "**Assignment of contract by Byrider Franchising**":

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in Byrider Franchising's good faith judgment, is willing and able to assume Byrider Franchising's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**" and Item 17(w), titled "**Choice of law**":

The foregoing choice of law should not be considered a waiver of any right conferred upon Byrider Franchising or upon you by Article 33 of the General Business Law of the State of New York.

NORTH DAKOTA

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled "**Requirements for you to renew or extend**" and Item 17(n), entitled "**Conditions for Byrider Franchising's approval of transfer**":

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the “Summary” section of Item 17(s), entitled “**Non-competition covenants after the franchise is terminated or expires**”:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, Byrider Franchising and you will enforce the covenants to the maximum extent the law allows.

3. The “Summary” section of Item 17(v), entitled “**Dispute resolution by arbitration**” is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Byrider Franchising and you mutually agree.

4. The “Summary” section of Item 17(w), entitled “**Choice of forum**” is deleted and replaced with the following:

However, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The “Summary” section of Item 17(x), entitled “**Choice of law**” is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Indiana will apply.

RHODE ISLAND

1. The following sentence is added to the “Summary” of Item 17(w) entitled “**Choice of forum**” and 17(x) entitled “**Choice of law**”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

SOUTH DAKOTA

1. The following sentence is added to Item 5:

Byrider Franchising has a surety bond in place of escrow or deferral of its initial franchise fees.

VIRGINIA

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled “**Termination by Byrider Franchising without cause**”:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**,RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) the offer of the franchise is made or accepted in the State of Illinois and Franchisee’s Business is or will be located in the State of Illinois; and/or (b) Franchisee is domiciled in Illinois.

2. **INITIAL FRANCHISE FEE.** The following language is added to Section 9.1 (“Initial Franchise Fee”) of the Franchise Agreement:

The Company has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Illinois, pursuant to Section 200.505 of the Rules. The Illinois Attorney General’s Office imposed the bond requirement due to Company’s financial condition.

3. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** The following language is added to the end of Section 20.7 (“Jury Trial Waiver”) and Section 20.8 (“Punitive Damage Waiver”) of the Franchise Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois regulations at Section 200.609.

4. **LIMITATIONS OF ACTIONS.** Section 20.9 (“Limitations of Actions”) of the Franchise Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Franchisee's rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) the Franchisee is a resident of the State of Maryland; or (b) Franchisee’s Business is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.**
The following is added as a new Section 2.12 of the Franchise Agreement:

2.12 **MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.** All representations requiring the Franchisee to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **RELEASES.** The following is added to the end of Sections 5.2(F), 6.1(E), and 14.3(C)(6) of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following sentence is added to the end of Section 16.2(A)(4) of the Franchise Agreement:

This Section 16.2(A)(4) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following paragraph is added to the end of Section 19.1 of the Franchise Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require the Franchisee to waive its right to file a lawsuit in Maryland claiming a

violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **GOVERNING LAW**. The following paragraph is added to the end of Section 20.5 of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **CHOICE OF FORUM**. The following language is added to the end of Section 20.6 of the Franchise Agreement:

The Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

8. **LIMITATION OF ACTIONS**. The following sentence is added to the end of Section 20.9 of the Franchise Agreement:

Franchise must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Company grants the Franchisee the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) Franchisee’s Business will be operated wholly or partly in the State of Minnesota; and/or (b) the Franchisee is either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **RELEASES.** The following provision is added to the end of Section 5.2(F) and Section 14.3(B)(6) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchise Law.

3. **TRADEMARK: USE:** The following is added to the end of Section 8.2 of the Franchise Agreement:

The Company will protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g)

4. **NON-RENEWAL AND TERMINATION.** The following is added to the end of Sections 5.2, 16.1 and 16.2 of the Franchise Agreement:

To the extent Minnesota law is applicable, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that the Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

5. **GOVERNING LAW.** The following is added to the end of Section 20.5 of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of the Franchisee's rights under Minnesota Statutes Chapter 80C or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **JURY TRIAL AND PUNITIVE DAMAGE WAIVERS.** The provisions of Sections 20.7 and 20.8 of the Franchise Agreement are hereby deleted in their entirety.

7. **LIMITATION OF ACTIONS.** Section 20.9 of the Franchise Agreement is hereby amended by adding the following to the end of the Section:

Notwithstanding the foregoing, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **CONSENT TO JURISDICTION.** Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit the Company, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement shall abrogate or reduce any of the Franchisee's rights under Minnesota Statutes chapter 80C or the Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if Franchisee is domiciled in the State of New York; or (d) Franchisee’s Business is or will be operated in the State of New York.

2. **RELEASES.** The following provision is added to the end of Section 5.2.F., Section 6.1.E. and Section 14.3.C.(6) of the Franchise Agreement:

Notwithstanding the foregoing, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **ASSIGNMENT BY THE COMPANY.** The following language is added to the end of Section 14.1 (“Assignment by the Company”) of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in the Company’s good faith judgment, is willing and able to assume the Company’s obligations under this Agreement.

4. **TERMINATION OF AGREEMENT BY FRANCHISEE.** The following language is added to the end of Section 16.3.A. (“Franchisee’s Rights to Terminate; Grounds”) of the Franchise Agreement:

Franchisee may also terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW; CHOICE OF FORUM.** The following statement is added to the end of Sections 20.5 (“Governing Law”) and Section 20.6 (“Choice of Forum”) of the Franchise Agreement:

This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if the Franchisee are domiciled in the State of North Dakota, Franchisee’s Business is or will be operated in the State of North Dakota.

2. **RELEASES.** The following provision is added to the end of Section 5.2.F., Section 6.1.E. and Section 14.3.C.(6) of the Franchise Agreement:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **RESTRICTIVE COVENANTS.** Covenants restricting competition are subject to Section 9-08-06, N.D.C.C., which limits the Company’s ability to restrict Franchisee’s activity after the Franchise Agreement has ended. In North Dakota, covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable except in certain instances as provided by law; however, the Company and the Franchisee will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION.** The following provision is added to the end of Section 19.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which the Company and the Franchisee mutually agree.

5. **GOVERNING LAW.** The following paragraph is added to the end Section 20.5 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without

reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on the Franchisee and its owners' competitive activities will be governed by the laws of the state in which Franchisee's Business is located.

6. **CHOICE OF FORUM.** The following provision is added to the end of Section 20.6 ("Choice of Forum") of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by North Dakota Franchise Investment Law, and subject to the parties' arbitration obligations, the Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **LIQUIDATED DAMAGES AND TERMINATION PENALTIES.** In North Dakota, any provision in the Franchise Agreement that requires Franchisees to consent to liquidated damages or termination penalties is void.

8. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** Section 20.7 and Section 20.8 of the Franchise Agreement are deleted in their entirety.

9. **LIMITATION OF CLAIMS.** In North Dakota, the statute of limitations under North Dakota law applies.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20____ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made or accepted in the State of Rhode Island; or (b) an offer to buy is accepted in the State of Rhode Island; or (c) Franchisee is a resident of the State of Rhode Island and Franchisee’s Business is or will be operated in the State of Rhode Island.

2. **GOVERNING LAW.** The following paragraph is added to the end of Section 20.5 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, (2) the enforceability of those provisions of this Agreement which relate to restrictions on Franchisee and its owners’ competitive activities will be governed by the laws of the state in which the Franchisee’s Business is located; and (3) to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

3. **CHOICE OF FORUM.** The following language is added to the end of Section 20.6 (“Choice of Forum”) of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Franchisee may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Area Development Agreement dated _____, 20____ (the “**Development Agreement**”). This Rider is annexed to and forms an integral part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) Franchisee’s Business that Franchisee will develop under the Development Agreement will be operated wholly or partly in the State of Illinois; and/or b) the Franchisee is either a resident of, domiciled in, or actually present in the State of Illinois.
2. **INITIAL FRANCHISE FEE.** The following language is added to Section 2.B. (“Initial Franchise Fee”) of the Development Agreement:

The Company has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Illinois, pursuant to Section 200.505 of the Rules. The Illinois Attorney General’s Office imposed the bond requirement due to Company’s financial condition.

3. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** The following language is added to the end of Section 7 (“Miscellaneous”) of the Development Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois regulations at Section 200.609.

4. **LIMITATIONS OF ACTIONS.** Section 7 (“Miscellaneous”) of the Development Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following is added to the end of the Development Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Franchisee's rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Area Development Agreement dated _____, 20____ (the “**Development Agreement**”). This Rider is annexed to and forms an integral part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) Franchisee’s Business that Franchisee will develop under the Development Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) the Franchisee is either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **TERMINATION.** The following is added to the end of Section 5 of the Development Agreement:

To the extent Minnesota law is applicable, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that the Franchisee be given 90 days’ notice of termination (with 60 days to cure).

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Area Development Agreement dated _____, 20__ (the “**Development Agreement**”). This Rider is annexed to and forms an integral part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if Franchisee is domiciled in the State of New York; or (d) Franchisee’s Business that Franchisee will develop under the Development Agreement will be operated in the State of New York.

2. **TERMINATION OF AGREEMENT BY FRANCHISEE.** The following language is added to the end of Section 5 of the Development Agreement:

Franchisee may also terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

NEW YORK REPRESENTATIONS PAGE

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT
DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY
UNTRUE STATEMENT OF A MATERIAL FACT**

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT N
TO
FRANCHISE DISCLOSURE DOCUMENT

ITEM 23
RECEIPTS

This Disclosure Document summarizes certain provisions of the Franchise Agreement, the Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Byrider Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Byrider Franchising, LLC, or any affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Byrider Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G. We authorize the respective state agents identified on Exhibit G to receive service of process for us in the particular states.

The name, principal business address, and telephone number of the franchise seller offering the franchise is as follows: Jack J. Humbert, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (317) 249-3355.

The issuance date of this Franchise Disclosure Document is August 15, 2023. (The effective dates in the franchise registration states are noted on the page immediately preceding the Item 23 receipts pages in this Disclosure Document.)

I received a Disclosure Document from Byrider Franchising, LLC dated as of August 15, 2023, that included the following Exhibits:

Exhibit A	Financial Statements and Guarantee of Performance
Exhibit B	Franchise Agreement
Exhibit C-1	Area Development Agreement (Traditional Franchisee)
Exhibit C-2	Area Development Agreement (Ultra Franchisee)
Exhibit D	Franchise Directory
Exhibit E	Operations Manuals' Tables of Contents
Exhibit F	Acceptance and Assumption of Obligations
Exhibit G	List of State Agencies/Agents for Service of Process
Exhibit H	List of Franchisees Who Left the System
Exhibit I	Renewal Addendum
Exhibit J	Multi-Location Flat Rate Option Addendum
Exhibit K	Traditional Royalty Fee Addendum
Exhibit L	Veteran Discount Addendum
Exhibit M	State Addenda and Agreement Riders
Exhibit N	Receipts

Date

Prospective Franchisee [Print Name]

Prospective Franchisee [Signature]

Please sign this copy of the receipt, print the date on which you received this Franchise Disclosure Document, and return it, by mail to Byrider Franchising, LLC, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032.

8/15/2023

ITEM 23
RECEIPTS

This Disclosure Document summarizes certain provisions of the Franchise Agreement, the Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Byrider Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Byrider Franchising, LLC, or any affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Byrider Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G. We authorize the respective state agents identified on Exhibit G to receive service of process for us in the particular states.

The name, principal business address, and telephone number of the franchise seller offering the franchise is as follows: Jack J. Humbert, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (317) 249-3355.

The issuance date of this Franchise Disclosure Document is August 15, 2023. (The effective dates in the franchise registration states are noted on the page immediately preceding the Item 23 receipts pages in this Disclosure Document.)

I received a Disclosure Document from Byrider Franchising, LLC dated as of August 15, 2023, that included the following Exhibits:

Exhibit A	Financial Statements and Guarantee of Performance
Exhibit B	Franchise Agreement
Exhibit C-1	Area Development Agreement (Traditional Franchisee)
Exhibit C-2	Area Development Agreement (Ultra Franchisee)
Exhibit D	Franchise Directory
Exhibit E	Operations Manuals' Tables of Contents
Exhibit F	Acceptance and Assumption of Obligations
Exhibit G	List of State Agencies/Agents for Service of Process
Exhibit H	List of Franchisees Who Left the System
Exhibit I	Renewal Addendum
Exhibit J	Multi-Location Flat Rate Option Addendum
Exhibit K	Traditional Royalty Fee Addendum
Exhibit L	Veteran Discount Addendum
Exhibit M	State Addenda and Agreement Riders
Exhibit N	Receipts

Date

Prospective Franchisee [Print Name]

Prospective Franchisee [Signature]

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS FRANCHISE DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.

8/15/2023