

FRANCHISE DISCLOSURE DOCUMENT

Driver Education Franchising, LLC
an Indiana limited liability company
d/b/a
ROAD STAR DRIVING SCHOOL
13233 Garnet Blvd.
Carmel, IN 46033
317-506-2991
www.roadstardriving.com

This franchise is offered for a business teaching driver education and offering services associated with teaching driver education.

The Initial Franchise Fee is **\$10,000.00**. The estimated required initial investment ranges from **\$56,200.00** to **\$136,100.00**.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this document and all accompanying agreements carefully. You must receive this disclosure document at least fourteen (14) calendar days before you can sign a binding agreement with, or make any payment to the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive this document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Kyle Meek, Chief Executive Officer, Driver Education Franchising, LLC, 13233 Garnet Blvd., Carmel, IN 46033 or 317-506-2991.

The terms of your agreement will govern your relationship with the franchisor. Don't rely on this disclosure document alone to understand your agreement. Read all of your agreement carefully. Show this document and your franchise agreement, and all related agreements, to your professional advisors, including your accountant and attorney.

Purchasing a franchise is a complex investment. The information in this disclosure document may assist you in understanding some of the relevant information. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," is available from the Federal Trade Commission at 1-877-FTC-HELP or at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's website at www.ftc.gov for additional information or contact your state agency for other sources of information on franchising. There may be laws regarding franchising in your state. Contact your state government for additional information.

ISSUANCE DATE: November 1, 2025

STATE COVER PAGE

Your state may have franchise laws that require a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Attachment F for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION CONDUCTED ONLY IN INDIANA. OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN INDIANA THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT INDIANA LAW GOVERNS THE AGREEMENT; AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. AT OUR SOLE DISCRETION, YOUR SPOUSE (IF ANY) AND/OR YOUR PARTNERS (IF ANY) MUST SIGN THE FRANCHISE AGREEMENT AND PERSONALLY GUARANTEE ALL OBLIGATIONS OF THE FRANCHISED BUSINESS WHETHER OR NOT YOUR SPOUSE AND/OR PARTNERS ARE INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. IF WE DO NOT REQUIRE YOUR SPOUSE TO SIGN THE FRANCHISE AGREEMENT, THEN YOUR SPOUSE MUST SIGN A SPOUSAL CONSENT ALLOWING YOU TO USE YOUR COMMUNITY OR MARITAL PROPERTY ESTATE AND RIGHTS AS COLLATERAL FOR THE OBLIGATIONS OF THE BUSINESS. THESE REQUIREMENTS PLACE THE PERSONAL ASSETS OF THE FRANCHISEE, ITS PARTNERS AND SPOUSES AT RISK.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

NOTE: THE AGREEMENT PROVISIONS REFERRED TO IN THE RISK FACTORS MAY BE VOID UNDER SOME STATE FRANCHISE LAWS AND SOME STATE FRANCHISE LAWS MAY REQUIRE DISCLOSURE OF ADDITIONAL RISK FACTORS. SEE ATTACHMENT G.

We use the services of one (1) or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source 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.

EFFECTIVE DATE: November 1, 2025

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

INDIANA

November 24, 2020

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Item 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Definitions.

To simplify this Franchise Disclosure Document, “we” means Driver Education Franchising, LLC d/b/a “Road Star Driving School” the franchisor. Sometimes “our” or “us” refers to Driver Education Franchising, LLC, when appropriate. “You” means the person who buys the franchise. If you are a legal entity, “you” includes all owners of any equity interest in the entity. “Franchised Business” means the business you will operate under the Franchise Agreement, offering driver education and all services associated with driver education operating under our Marks (as defined herein) and following our System.

Our Predecessors and Affiliates.

Indiana All-Star Driving School, Inc. is our predecessor and is an affiliate. Driving School Management, LLC is an affiliate. Road Star Holding, Inc. is the parent company for Driver Education Franchising, LLC. Road Star Holding, Inc. owns certain interests in “Company-owned Outlets” as described more fully below.

Our Names.

We do business under our corporate name, Driver Education Franchising, LLC, the name “Road Star Driving School” and the words “See the Difference Professionals Make.” We do not do business under any other name.

Our Address and Agent for Service.

Our principal business address is 13233 Garnet Boulevard, Carmel, Indiana 46033. Our agents for service of process are disclosed in [Attachment E](#). The principal business address of our predecessor Indiana All-Star Driving School, Inc. was P.O. Box 30977, Indianapolis, Indiana 46230.

Our Business Form.

We are an Indiana limited liability company, organized on April 1, 2015.

Our Business and Franchises Offered.

Under the franchise we offer, you will operate a business teaching driver education to any individual aged fifteen (15) years or older. The market for your services is primarily the general public and specifically that segment that seeks to purchase driver education or associated driver education services. You will compete with other national, regional and local driver education businesses, generally in well-developed markets. Your Franchised Business may operate in close proximity to major competitors. Some competitors will offer many goods and services that are the same as or similar to those you offer.

Prior Business Experience.

We operate one (1) other business of the type being offered.

Our affiliate (and predecessor), Indiana All-Star Driving School, Inc. and our affiliate Road Star Holding, Inc. has operated a business similar to the business you will be operating since February 23, 2003. These entities currently operate in Castle Rock, Colorado; Colorado Springs, Colorado; Monument, Colorado; Carmel, Indiana; Evansville, Indiana; Fishers, Indiana; Fulton, Indiana; Jasper, Indiana; Lafayette, Indiana; Lebanon, Indiana; Newburgh, Indiana; and Vincennes, Indiana and have satellite offices in nearby rural communities to those locations.

Laws Affecting your Franchised Business.

In most states, you will have to obtain and maintain a Bureau of Motor Vehicles or Department of Motor Vehicles license or permit. Some states may require a specialty Drive Test Waiver License. Although qualifications for such licenses vary from state to state, you may have to pass a knowledge test and background test and obtain insurance and a bond.

There are many federal, state and local regulations specific to the operation of a driver education business. You will also be subject to state and local licensing laws, codes and regulations, particularly as they relate to the operation of a driver education business. For certain services, you are subject to additional laws and requirements. There may be other laws applicable to the business and we urge you to make further inquiries about these laws. The nature and amount of regulation could change rapidly relating to this business. You should consult an attorney with experience dealing with driver education issues to be sure you are familiar with the current statutes and regulations that might apply within your Territory (as defined herein).

There are, of course, statutes and regulations that are common to all businesses, including but not limited to those governing health and labor issues, zoning and safety. You should obtain a complete copy of the relevant statutes and regulations of the Federal Government and of your state and discuss them with your attorney. You should also investigate applicable county and city ordinances and regulations.

Item 2. BUSINESS EXPERIENCE

Our principal officers, directors, and other executives having management responsibilities and their principal occupations and employers during the past five years are as follows:

Mr. S. Kyle Meek
Director, President and CEO
Driver Education Franchising, LLC

President – Road Star Holding, Inc. 2016-Present

President and CEO – Indiana All-Star Driving School, Inc. 2003-2015

Member of Board of Directors – BMV Advisory Board 2009-2014

President of Board of Directors – Indiana Driver Education Association 2013-2016

Mrs. Becky Meek
Director of Marketing and Sales
Driver Education Franchising, LLC

CFO – Indiana All-Star Driving School, Inc. 2006-2014

Media Buyer – Young & Laramore 2001-2006

Item 3. LITIGATION

No litigation is required to be disclosed in this Item. During the ten (10) year period immediately preceding the date of this offering circular, neither Driver Education Franchising, LLC nor any person identified in Item 2 above has been convicted of a felony or pleaded nolo contendere to any other felony charge or been

held liable in any other civil action by final judgment or been the subject of any other material complaint or other legal proceeding where such felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

Item 4. BANKRUPTCY

No bankruptcy proceedings are required to be disclosed in this Item. None of the officers or general partners identified in Item 2 above has been adjudged personally bankrupt during the past fifteen (15) years.

Item 5. INITIAL FEES

Initial Fee.

The Initial Fee for the Road Star Driving School franchise is \$10,000.00.

Payment of Initial Fee.

A deposit in the amount of \$5,000.00 is payable in cash upon signing the Driver Education Franchising, LLC Application for Franchise (Attachment I). The balance of the Initial Fee of \$10,000.00 is payable in full, in cash, upon signing the Franchise Agreement, which will be within seven (7) days after we approve your application.

Refund of Initial Fee.

If we do not approve your application for a franchise for any reason before you sign the Franchise Agreement, we will refund your deposit in full. After we have approved your application, we will not refund the Initial Fee except if, through no fault of you, we determine that you have not successfully completed the initial training.

Item 6. OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee*	The greater of six percent (6%) of Gross Revenues or \$125.00. <u>See Note A.</u>	Payable monthly by Electronic Funds Transfer. Funds must be available in your designated bank account in time so that we can obtain them by Tuesday of the week following the week for which you pay the Royalty Fee.	Gross Revenues includes the full price of all goods and services you sell, whether or not you have received cash or other consideration. The only thing not included in Gross Revenues is taxes or fees you are required to collect on behalf of the government. Gross Revenues are calculated at the time you receive payment for the goods or services.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Training	You are solely responsible for all compensation, salaries, benefits and travel-related expenses for yourself or any employees for all training. <u>See Note B.</u>	N/A	You and your driver education instructors must complete the initial training (cost included in the Initial Fee for first three (3) persons trained) and certain additional training at your cost. If you obtain a new or replacement manager or Instructor, you will be responsible for the cost of initial training for that person after we have trained the first three (3) people.
Transfer*	\$7,500.00	Before completing transfer	Payable only if you sell your franchise or any part of your business. Fee is \$500.00 if you transfer to a corporation or other entity with the same identical ownership and control.
Audit (less than three percent (3%) under reporting)*/**	One and one-half percent (1.5%) per month interest on amount of underpayment plus the amount of the underpayment	Immediately upon billing	Payable only if an audit reveals that you have under reported Gross Revenues, but by less than three percent (3%).
Audit (three percent (3%) or more under reporting)*/**	One and one-half percent (1.5%) per month interest on amount of underpayment plus the cost of the audit plus the amount of the underpayment	Immediately upon billing	Payable only if an audit reveals that you have under reported Gross Revenues by three percent (3%) or more.
Renewal	\$0		
Profits on supplies or equipment	Variable	When you purchase items from us or our affiliate(s)	Some items (for example, those bearing the Marks) may be available only from us or an affiliate. We or the affiliate would expect to realize a profit on any such sales. You may elect to purchase other items from or through us or an affiliate, in which case we or our affiliate will generally realize a profit on the sale.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Late Payment*	Up to eighteen percent (18%) per annum for any sums thirty (30) days or greater overdue. Eight percent per annum for sums thirty (30) days or less overdue.	Upon demand	Due on all late payments.
Supplier Review*	Actual costs of reviewing suppliers	Upon demand	We reserve the right to charge you a fee for reviewing a proposed supplier of goods that are not provided to you by us.
Indemnification*	Will vary under circumstances	Upon demand	You must reimburse us if we are held liable for claims from your Franchised Business.
Insurance*	Will vary under circumstances	Upon demand	You must reimburse us for insurance that we obtain on your behalf.
Attorneys' Fees and Costs*	Will vary under circumstances	As incurred	You must pay for or reimburse us for all costs and expenses for legal proceedings incurred in enforcing our agreements with you.

* These fees are imposed by and are payable to us. All fees are non-refundable.

** Interest begins from the date of the underpayment.

Notes Regarding Other Fees:

Note A. Royalty Fees.

You will pay a weekly Royalty Fee. You will pay by electronic funds transfer. We may, upon thirty (30) days prior written notice, require you to pay Royalty Fees by check, pre-authorized check, electronic funds transfer or similar mechanism. We may, upon notice, require you to pay your Royalty Fees on a different periodic basis.

Note B. Training Expense.

Initially, you must have two (2) full-time people working for the business, one (1) of which must be you. One (1) must be responsible for business operations and management; the other must be, at all times, a Certified Driver Education Instructor ("Instructor"). Both of you must successfully complete our initial training program. We will decide whether you and your Instructor successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively. Additionally, it is a condition to completion of our training program for all required individuals to have completed all state or local licensing, permitting or other educational requirements.

During your franchise term, we will provide initial training to you and up to two (2) additional persons as part of your Initial Fee. After the first three (3) persons, you must bear the cost of training additional Instructors or managers. In all cases, you are solely responsible for all salaries, compensation, benefits, travel and related expenses for trainees.

We may require you or your Instructors to attend additional training at a location we determine. Generally, you must pay our standard fee(s) for mandatory training. In any event, you are solely responsible for all salaries, compensation, benefits, travel and related expenses for trainees.

We may provide or make available training materials and equipment for you or your employees and may charge a fee. All training materials are Trade Secrets (as defined herein). You must require any of your employees to successfully complete any training program(s) if we designate them as mandatory.

Item 7. ESTIMATED INITIAL INVESTMENT

TYPE OF FEE	ESTIMATED LOW AMOUNT	ESTIMATED HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Initial Fee <u>See Note A.</u>	\$10,000.00	\$10,000.00	Lump sum	\$5,000.00 with application; \$5,000.00 within seven (7) days after we approve application	Us
Travel & Living Expenses While Attending Initial Training	\$500.00	\$2,000.00	As incurred	Before, during & after training	Vendors, airlines, hotels, car rental companies, etc.
Real Estate Improvements <u>See Note B.</u>	\$0.00	\$5,000.00	As agreed with landlord or mortgage lender	As arranged	Landlord or mortgage lender
Rent & Security Deposit (three (3) months)	\$1,500.00	\$6,000.00	As agreed with landlord	As arranged	Landlord
Leasehold Improvements <u>See Note C.</u>	\$0.00	\$10,000.00	As incurred	As arranged	Landlord, lender or contractor(s) and vendors
Equipment <u>See Note D.</u>	\$12,000.00	\$19,000.00	As incurred	As arranged	Vendors, leasing companies or lenders
Furniture, Office Equipment & Software	\$3,500.00	\$12,500.00	As incurred	As arranged	Vendors, leasing companies or lender

TYPE OF FEE	ESTIMATED LOW AMOUNT	ESTIMATED HIGH AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM MADE
Vehicles <u>See Note K.</u>	\$10,000.00	\$20,000.00	As incurred or financed	As arranged	Vendors, leasing companies or lenders
Signs	\$500.00	\$3,000.00	As arranged	As arranged	Us, vendors, leasing companies or lender
Licenses	\$200.00	\$600.00	Lump sum	Before opening	State, county, city government agencies, departments or officials
Grand Opening <u>See Note E.</u>	\$3,000.00	\$8,500.00	As incurred within first ninety (90) days	As incurred within first ninety (90) days	Vendors
Marketing <u>See Note F.</u>	\$1,000.00	\$4,000.00	As arranged; See Item 6.	As arranged; See Item 6.	Us and/or advertising media vendors
Insurance <u>See Note G.</u>	\$1,000.00	\$3,500.00	As arranged	As arranged	Insurance companies
Legal Fees <u>See Note H.</u>	\$1,000.00	\$5,000.00	As incurred	As incurred	Your attorney
Opening Inventory of Supplies	\$1,000.00	\$2,000.00	As arranged	As arranged	Us and vendors
Additional Funds (three (3) months) <u>See Note I.</u>	\$10,000.00	\$20,000.00	As incurred	As incurred	Employees, vendors, utilities, taxing agencies, etc.
Miscellaneous Opening Costs <u>See Note J.</u>	\$1,000.00	\$5,000.00	As incurred	As incurred	Vendors, suppliers, utilities, tradesmen, deposits, etc.
Total	\$56,200.00	\$136,100.00			

Notes Regarding Estimated Initial Investment:

Note A: Initial Fee.

A deposit in the amount of \$5,000.00 is payable in cash upon signing the Driver Education Franchising, LLC Application for Franchise (Attachment I). The remaining balance of the Initial Fee (\$5,000.00) is payable in full, in cash, upon signing the Franchise Agreement, which will be within seven (7) days after we approve your application.

Note B: Real Estate Rental.

You must obtain and maintain a business office and sufficient classroom space that meets our requirements. This office may be located at a local high school, church or religious institution, secondary education facility, or other location deemed acceptable in writing by us. If you already lease or own the Premises (as defined hereinafter), you should review your lease or purchase documents to evaluate the cost of real estate rental. If not, lease situations will vary in rental amounts, lease terms, amount of space required, tenant improvements required, security deposit and advance rental required. Location is a major factor in the amount of rent required. These estimates may not cover advance rental deposits, insurance and similar expenses. You may elect to own your own Premises, in which case it is not possible for us to estimate the cost because of the wide variations in price and financing options. If you rent real estate for the Premises, you may be liable for the entire term of the lease whether or not you succeed in the Franchised Business. You should consult your lease documents and your attorney. Your cost of obtaining real estate could be higher if you request for us to send a person to your Territory to assist you in connection with your acquisition, for which actual out of pocket expenses may be charged to the franchisees.

Note C: Leasehold Improvements.

The cost could be higher if you or your landlord request changes from the standard design and materials.

If you already lease or own the Premises, you should review your lease or purchase documents to evaluate the cost of real estate leasehold improvements. If not, lease situations will vary in rental amounts, lease terms, amount of space required and tenant improvements required. Size, configuration and landlord requirements will be major factors in cost. Some landlords finance leasehold improvements by amortizing them over the lease term and charging a higher rental amount to cover the cost. You should attempt to determine your costs and financing options before deciding on the Premises.

Even if you are taking over or continuing in an existing Road Star Driving School Premises or another existing facility, we may require that you remodel, redecorate or make other changes to the Premises to comply with our specifications, at your cost. You must maintain the Premises, at your expense, including furniture, fixtures, interior and exterior paint and landscaping, in accordance with our specifications.

Note D: Equipment.

If you are buying a fully equipped outlet from us, the cost of mandatory equipment will be within this range. If you purchase from another franchisee or if you elect to acquire your mandatory equipment from other sources, it may cost more. We are not obligated to offer your business on a fully equipped basis.

The cost of equipment could vary widely depending primarily upon your circumstances. Some new franchisees will have existing businesses and will already have some of the equipment they will need. This may or may not be your situation. However, even if you have an existing Road Star Driving School business that is fully equipped, you may need additional or different equipment if you are expanding your operations or to comply with our standards. There are factors beyond our control that could cause you to invest more in equipment.

If you lease the equipment, that may increase your monthly fixed expenses. If you borrow money to purchase the equipment, that may increase your monthly fixed expenses.

Note E: Grand Opening.

We require a “grand opening” which should be appropriate for your community, competitive situation and similar factors. The cost of a grand opening is difficult to estimate with accuracy because of local market factors, including the types of marketing media available, the cost of marketing space or time and the local competitive situation. We estimate that, in most areas, you can accomplish an adequate grand opening for between \$3,000.00 and \$8,500.00, although, because of local conditions, you may decide that more or less is necessary.

Note F: Marketing.

This estimate does not include any extraordinary initial marketing expense for obtaining employees and/or informing the community of your business opening.

Note G: Insurance.

We require you to purchase and maintain, at your expense, throughout the term of the Franchise Agreement commercial general liability insurance, including bodily injury, property damage, personal injury, advertising injury, non-owned automobile, loss of business income, and broad form contractual coverage for liability assumed under the Franchise Agreement. Such insurance shall be on an occurrence basis and shall consist of combined single limit coverage of at least one million dollars (\$1,000,000.00) per occurrence/two million dollars (\$2,000,000.00) annual aggregate. You must purchase and maintain professional liability (errors and omissions) insurance and contractor’s pollution liability insurance. You must purchase and maintain workers’ compensation and employer’s liability insurance with a reputable insurer acceptable to us or with a state agency. You must provide us with one (1) or more certificates of insurance evidencing such coverages and naming us as an additional insured as to each applicable policy. Such certificate(s) of insurance shall provide that the coverages under the respective policy(ies) may not be modified (except to increase coverage) or canceled until at least thirty (30) days prior written notice of such cancellation or modification has been given to us. Upon our request you must provide us with a true copy of any insurance policy, including all endorsements. Every insurance policy must provide that coverage is primary/non-contributory. Every insurance policy must be with an insurance company that meets our criteria as set forth in the Manual (as defined herein).

Keeping in mind that the price of insurance has varied widely in recent years, you should obtain a price quotation from your insurance agent or broker and not rely solely upon our estimate in planning to purchase the Franchise. Workers’ compensation and employer’s liability insurance are extra and you should obtain prices from your state agencies or your insurance agent or broker.

Note H: Legal Fees.

Because of the variability of attorney’s fees, this is, at best, an estimate. You should check with your attorney or with several knowledgeable attorneys to determine the actual range of fees before signing the Franchise Agreement. You may need an attorney to assist and advise you in setting up your business organization and reviewing contract documents. This estimate does not include any ongoing needs for legal services in connection with relationships with customers or vendors. Depending upon your experience and staffing, you may also need accounting services, which might be extra. You should consult your accountant for an estimate of fees. This estimate does not include accounting or consulting services.

Note I: Additional Funds.

This estimates your initial start-up expenses. You may have to use some of these additional funds to pay for our management assistance if you request extraordinary management or support services from us during the early stages of your Franchised Business. In addition, these estimates include payroll costs and various service costs such as utilities. These estimates do not include owner compensation or return on investment.

These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for the products and services you offer; the prevailing wage rate; competition; and the sales level you reach during the initial period. You may need additional funds before your Franchised Business breaks even.

Note J. Miscellaneous Opening Costs.

This estimate is for a reserve to cover incidental unexpected costs. You may want to reserve more.

Note K. Vehicles.

The number of vehicles recommended will depend on the size of the Franchised Business. As many as five (5) vehicles may be necessary depending on the demographics of your Territory. We recommend that you purchase new or late model used vehicles (typically three (3) years old or less).

Going Concern Value Not Included.

If you purchase an existing operating Road Star Driving School business from us or from another franchisee, you should expect to pay, in addition to the estimated initial investment, an amount representing the fair market going concern value of the business. That value might exceed the estimated initial investment. Any purchase of existing business assets and goodwill would be under a separate agreement negotiated between you and the seller.

Services by Affiliate(s) and Others.

We may provide certain services to you under the Franchise Agreement by subcontracting with others, including our affiliate(s), to provide them. These arrangements will not result in increased costs to you for the services.

No Financing.

See Item 10. We do not offer financing for any items. Should we establish relationships with sources of possible financing, we would make that information available to you. Financing availability and qualification requirements would probably change and vary widely. If we make financing available to you, we or our affiliate(s) would expect to make a profit from it. We do not require you to obtain financing from us or our affiliate(s).

No Refunds.

We will not refund any of the payments you make except as provided in Item 5, above.

Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase from us or a supplier we approve certain equipment, supplies and inventory necessary to start or operate the Franchised Business. As to other equipment, supplies and inventory, you may purchase them from the vendor(s) of your choice, but the item(s) must meet our specifications, as described in the Manual (as defined herein). These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance. In some instances, you must purchase items that comply with our reasonable subjective determination of whether they meet the standards and comport with the Road Star Driving School image. If we have not provided specifications, you may purchase any items that reasonably meet the requirements of the Franchised Business.

In some locations, we will offer Franchised Businesses on a fully equipped basis only. In that case, you must purchase the equipment and the initial inventory from us or an affiliate or approved vendor. Your

cost of equipment and initial inventory will be not more than our cost for the items on a delivered and installed basis plus a reasonable margin of profit.

All items that you purchase from suppliers must meet our specifications. This includes advertising and marketing materials, forms, and promotional items. In addition, you must purchase the signs used to identify the Franchised Business(s) and Premises.

We publish a list of approved vendors and order procedures in the operations manual, as amended from time to time ("Manual"). We may approve other vendors if you request it in writing or if a vendor requests it and if the vendor demonstrates to our satisfaction that it is financially stable and can provide product(s) or service(s) that meet our specifications and that are consistent with our image. We may charge a reasonable fee to cover our costs in evaluating a proposed vendor. We will give you a good faith estimate of our cost of evaluating a proposed vendor within a reasonable time after you make the request, but before we begin the evaluation process. We will normally make our decision within sixty (60) days. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will make any approvals of new vendors or revoke approval of vendors in writing and will incorporate our decision in the Manual.

During the fiscal year, neither we nor our affiliate(s) derived any revenue from vendors based on required purchases or leases by franchisees made in accordance with our specifications. Because of common industry practices, we expect to receive rebates, discounts and allowances from some vendors with whom you do business. We may place such monies in a separate fund to cover the cost of franchisee conferences and conventions and franchisee incentive programs. We will make a reasonable attempt to administer the funds in a way that is fair and equitable. We anticipate that such rebates, discounts and allowances may range from zero percent (0%) to as high as fifteen percent (15%) of the amount of your purchase of certain items. We expect the amount and availability to vary from time to time based upon factors outside our control. We will prepare an annual unaudited accounting of the amount of monies received and their application by general category and will provide you with a copy upon written request.

Please review Item 11 for information regarding computer hardware and software you must purchase or license.

Because we have been offering franchises for a limited time, our historic information about how much you will spend on equipment, supplies and inventory from us or approved vendors is an estimate based upon historic spending for one (1) similar business operated by our affiliate. Thus, we have limited historic information about how much you will spend on equipment, supplies and inventory that must meet our specifications.

We may negotiate purchase arrangements with suppliers for your benefit in the future. Except as described in this Item 8, we do not currently provide any material benefits to you based upon your use of designated or approved sources except that you know we have confidence that the designated or approved vendor can perform to our specifications.

Your employees and manager(s) must complete certain training programs at your expense. We have limited information about how much you will spend on mandatory training programs. See Item 6.

We estimate that your purchases of goods and services in accordance with specifications and/or from approved sources will represent approximately ninety percent (90%) to one hundred percent (100%) of your total purchases in connection with establishing your Franchised Business and approximately ninety percent (90%) to one hundred percent (100%) of your total purchases in connection with operating your Franchised Business.

The numbers contained in this Item 8 are our good faith estimates. We have little historic data from which to derive accurate numbers or percentages. In the interest of providing you with some point of reference, we have provided these estimates. Both we and our affiliate(s) have the right to make a profit on items you

purchase from us. Any profits would be within the range of standards in the industry for the item(s) in question.

Item 9. FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS FRANCHISE DISCLOSURE DOCUMENT.

Obligation	Section in Agreement	Item in Franchise Disclosure Document
a. Site selection and acquisition/lease	Articles 1, 6, 9, 12, 15, 17 & 22 Exhibits A, B, E & H (if applicable)	Items 8, 9, 11, 12 & 17 Attachment B, Exhibits A, B, E & H (if applicable)
b. Pre-opening purchases/leases	Articles 1, 2, 6, 7, 8 & 22 Exhibits A, B, C, D & H (if applicable)	Items 6, 7, 8, 9 & 17 Attachment B, Exhibits A, B, C, D & H (if applicable)
c. Site development and other pre-opening requirements	Articles 1, 2, 4, 6, 7, 8, 11, 15 & 17 Exhibits A, B, C, D, F, H (if applicable) & K	Items 5, 6, 9, 11, 12 & 17 Attachment B, Exhibits A, B, C, D & H (if applicable)
d. Initial and ongoing training	Articles 1, 4, 5, 6, 7, 9, 11, 12, 13, 15 & 20 Exhibit K	Items 5, 6, 7, 8, 9, 11, & 15
e. Opening	Articles 1, 2, 4, 6, 7, 8, 11, 12 & 19 Exhibits A, B, C, D, E, F, G, H (if applicable), I & K	Items 7, 8, 9, 11, 16 & 22 Attachment B, Exhibits A, B, C, D, E, F, G, H (if applicable), I & K
f. Fees	Articles 2, 3, 4, 5, 7, 9, 11, 12, 17, 18, 20 & 21 Exhibits G & L (if applicable)	Items 5, 6, 7, 8, 9, 10 & 17 Attachment B, Exhibits G & L (if applicable)
g. Compliance with standards and policies/Operating Manual	Articles 1, 2, 3, 4, 5, 6, 7, 11, 12, 13, 15 & 22 Exhibits C & D	Items 8, 9, 12, 13, 16 & 17 Attachment B, Exhibits C & D
h. Trademarks and proprietary information	Articles 1, 2, 5, 6, 7, 11, 15, 16, 17 & 18 (if applicable) Exhibits A, B, D, F, G, I & L (if applicable)	Items 9, 11, 13, 14, 16, 17 Attachment B, Exhibits A, B, D, F, G, I & L (if applicable)
i. Restrictions on products/services	Articles 1, 6, 7 Exhibit D	Items 8, 9, 13, 14, 16 & 17 Attachment B, Exhibit D

Obligation	Section in Agreement	Item in Franchise Disclosure Document
j. Warranty and customer service requirements	Articles 1, 2, 3, 4, 5, 7, 8 & 15	Items 8, 9, 13, 14, 16 & 17
k. Territorial development and sales quotas	None	None
l. Ongoing product/service purchases	Articles 4, 5, 7 & 15 Exhibits C & D	Items 8, 9, 16, & 17 Attachment B, Exhibits C & D
m. Maintenance, appearance and remodeling requirements	Articles 1, 6, 7, 9, 11, 12, 15, 16 & 17 Exhibits A, C & D	Items 7, 9, 15 & 17 Attachment B, Exhibits A, C & D
n. Insurance	Articles 6, 8 & 15	Items 7, 9 & 17
o. Marketing	Articles 1, 2, 3, 6, 7, 15	Items 7, 9, 13, 14, 16, 17 & 18
p. Indemnification	Articles 6, 8, 11 & 15	Items 9 & 17
q. Owner's participation/management/staffing	Articles 4, 5, 7, 11, 13, 15 & 17 Exhibits G & I	Items 8, 9, 15 & 17 Attachment B, Exhibits G & I
r. Records/reports	Articles 3, 7, 8, 12 & 15	Items 9 & 15
s. Inspections/audits	Articles 3, 7 & 15	Items 6 & 9
t. Transfer	Articles 1, 6, 7, 11, 12, 13, 14, 15, 16, 17 & 21 (if applicable)	Items 6, 9, 13, 14 & 17
u. Renewal	Articles 9, 10 & 15	Items 6, 9 & 17
v. Post-termination obligations	Articles 5, 8, 10, 13, 14, 15, 16, 17, 18 (if applicable) & 21	Items 9 & 17
w. Non-competition covenants	Articles 1, 5, 7, 11, 15, 16 17 & 18 (if applicable) Exhibit I	Items 9 & 17
x. Dispute resolution	Articles 19 & 21	Items 9 & 17

Item 10. FINANCING

We do not offer financing for any purpose. Should we establish relationships with sources of financing, we would make such information available to you. Financing availability and qualification requirements would probably change and vary widely. We do not guarantee any of your notes, leases or other obligations. If we make financing available to you, we would expect to make a profit from the financing. We do not require you to obtain financing from us.

We do not have any arrangements where we receive compensation for assisting you in obtaining financing. If we make such an arrangement, we will disclose the arrangement(s) to any franchisee(s) to whom we make it available.

We do not intend to sell, assign or discount to a third party any note(s), contract(s) or other obligation(s) you have signed. However, the Franchise Agreement places no restriction upon our right to transfer, assign or discount any such instruments, the Franchise Agreement, or any other agreements.

Item 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Pre-Opening Obligations.

EXCEPT AS LISTED BELOW, WE NEED NOT PROVIDE ANY ASSISTANCE TO YOU.

Before you open your Franchised Business, we will:

1. License you to use our Marks and System in connection with your Franchised Business (Franchise Agreement - Article 1);
2. Designate your Territory (Franchise Agreement - Article 1);
3. Review and approve or disapprove your selected business premises ("Premises") (Franchise Agreement - Articles 1 & 7) as follows:
 - a. You are responsible for securing a location. Although we will provide you with any information we have about available locations, you should independently evaluate the proposed location.
 - b. You are responsible for complying with all local ordinances and building permits and to obtain any required permits for the Premises.
 - c. You are responsible to maintain and repair the Premises and equipment. We may require you to replace equipment to comply with our current specifications and image every five (5) years.
 - d. You must obtain and install the required equipment, signs, fixtures and supplies from approved suppliers. Please refer to Item 8 for more information.
 - e. The factors we will consider in reviewing any proposed site will be unique to that site. However, we will generally consider such factors as demographics of the surrounding area; the type of nearby development; zoning; physical characteristics of the proposed site; the status of nearby competition; the economics of the proposed site; and access issues. No one (1) factor or combination of factors will be determinative in every case.
 - f. In some cases we will offer franchises on a fully equipped basis and you will purchase the Premises and equipment at our installed and delivered cost plus a reasonable profit.
 - g. If you do not secure a location that we can reasonably approve within one hundred eighty (180) days after signing your Franchise Agreement (or any extension we agree to) you will forfeit your Initial Fee. We are interested in locations, not forfeitures, so if you are making a reasonably diligent effort to secure a good location, we would ordinarily expect to agree to reasonable extensions. We expect you to communicate with us about your efforts.
4. Provide initial training for you and one (1) manager, if applicable, as follows:

Subject	Time Begun	Instructional Material	Hours of Classroom Training*	Hours of On The Job Training*
Orientation to Road Star Driving School	Before Opening	Manual, Lecture, Slides	1	NA
Objectives of Road Star Driving School	Before Opening	Manual, Lecture, Slides	1	NA
New Office Development	Before Opening	Manual, Lecture, Slides	1	NA
Service Overview	Before Opening	Manual, Lecture, Slides	1	NA
Operations	Before Opening	Manual, Lecture, Slides	1	8
Support Systems & Computer Systems	Before Opening	Manual, Lecture, Slides	2	NA
Sales, Marketing & Advertising	Before Opening	Manual, Lecture, Slides	1	NA

*All times are approximate and we may adjust them based upon your experience and rate of learning. Although the person(s) indicated will coordinate and be responsible for training, they may bring in other appropriate persons to actually conduct the training or some portion of it.

We do not charge for the initial training for you or your instructors (initial training for a total of three (3) people is included in your Initial Fee), but you must pay the travel and living expenses for you and your employee(s). All training occurs at our Lafayette, Indiana training center and at one (1) or more operating Road Star Driving School locations or Indiana All-Star Driving School, Inc. business(es). Please refer to Item 2 for information regarding the experience of the training instructors. You and your instructors must successfully complete the initial training program. We will decide whether you successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively.

Post-Opening Obligations.

Except as listed below, we need not provide any assistance to you.

After you open your Franchised Business, we will:

1. Take any actions we deem appropriate to protect or defend the Marks or System (Franchise Agreement - Article 1);
2. Loan you one (1) or more Manual(s), which contains specifications and mandatory and suggested standards and procedures. This Manual is confidential and remains our property. We will modify this Manual, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement - Article 1). Attachment D includes a copy of the Manual's table of contents;
3. Collect and manage funds received as rebates, discounts and allowances from vendors you do business with (Franchise Agreement – Article 2); and

4. Provide a periodic training program for your manager(s) and for certain other employees, at our regular charge for the training (Franchise Agreement - Article 4). Please refer to Item 6 for information regarding the frequency and number of training programs we may require you to participate in.

After you open the Franchised Business, we expect to be in regular contact with you to discuss your operation of the Franchised Business and to generally be of assistance. We plan to provide additional ongoing training for you and your manager(s) and employees at our standard charges. The Franchise Agreement does not obligate us to provide such services, however.

You may not engage in sales through alternative distribution channels or the Internet without our prior written approval. We are not required to give you such approval. (Franchise Agreement – Article 1).

We currently do not have an advisory council. If we form or approve an advisory council, you must participate. Any advisory council would not have decision-making power, it would be advisory only. We have the right to form, change or dissolve any advisory council.

Time to Open.

The typical length of time between when you sign the Franchise Agreement or pay the Initial Fee and the time when your Franchised Business opens will generally be three (3) to six (6) months. The factors affecting this length of time include the time necessary for you to obtain Premises and equipment, schedule your initial training, and hire and train any necessary employees. There may be unusual circumstances in which, because of delays, construction schedules and other events beyond our control it takes longer than six (6) months. On the other hand, it could be less than three (3) months.

Training.

Before opening your Franchised Business, you and your instructors, must successfully complete our initial training program. We will decide whether you successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively. We will ordinarily schedule the initial training program so that you will complete the pre-opening portions no more than sixty (60) days before the scheduled opening of your Franchised Business. You are responsible for all salaries, compensation and travel related expenses of persons receiving training, both initial training and ongoing training. For further information regarding expenses related to the initial training, please review again Item 6.

Because there is always uncertainty about if and when you will locate and develop acceptable franchise Premises, how long it will take to open your Franchised Business and about whether you will successfully complete training, you should not terminate employment or cease other income producing activity until after these events have occurred.

Computer Software.

We require you to use certain computer equipment and software. You may select any computer hardware that meets or exceeds our current minimum requirements. You are responsible to maintain and repair your hardware and to update or upgrade your software. We may recommend or require additional hardware. We may require you to purchase specified point of sale or register equipment and software and/or portable hand-held devices. We currently require you to use the following computer hardware and software: (1) current computer hardware necessary to operate the business, including desktop or laptop computers, printers, fax machines, modems, network connectivity equipment; and (2) software we designate in our Manual (“Required Software”). We reserve the right to require you to purchase certain proprietary software systems from us or replace any specific software programs or applications in our sole discretion. If we or our affiliates provide you the Required Software directly, you may be required to enter into a software license agreement with us or the affiliate providing the software. If we require you to purchase any

Required Software from us or from any of our affiliates, we are permitted to charge you a reasonable markup on the fees consistent with industry standards or pass such fees on to you.

Notes:

1. Unless we provide the Required Software to you directly pursuant to a software license agreement with us or our affiliates, we do not provide any support for computer hardware or Required Software for the Franchised Business. You must upgrade your computers, modems and printers and purchase any additional equipment we specify to accommodate our software, or to improve the overall effectiveness and competitiveness of your business. We do not expect these upgrades to exceed \$4,000.00 per Franchised Business.
2. We are not obligated to provide support or upgrades to the Required Software or its replacement program(s). If upgrades or support for this program are required, this will be provided by the vendor at an additional cost.
3. Through the Required Software, we may have access to the information and data generated described above. There are no contractual limitations on our rights to access the information and data.
4. For the Required Software, the current cost of maintenance and support contracts, upgrades and updates to the hardware and software is a one-time \$1,000.00 server fee. The current fee per registered student is \$5.00 per registration or two and one-half percent (2.5%) up to \$200.00 per registration. You are obligated by the Franchise Agreement to install and use any upgrades and updates that we may designate as mandatory. There are no limits on the frequency or cost of such upgrades or updates.
5. We currently require Cable, DSL or Fiber Optic Internet connection that is always on. We require you to have a static IP address—it is required for the security system. We recommend that you obtain your Internet access from a major supplier.
6. We have no contractual obligation to provide support for Microsoft software, Adobe software, Intuit software, or other third-party vendors of required software programs (“Third-Party Software Vendors”). You may be able to obtain support from your computer hardware manufacturer or directly from Third-Party Software Vendors. We have no contract with Third-Party Software Vendors or with any hardware manufacturer to provide you with service or support. We cannot estimate the cost of updates and upgrades and there is no limit to the frequency with which you may require them or the amount of the cost. Those factors are determined by Third-Party Software Vendor pricing and service policies. We have used versions of these software programs in our offices continuously since March 20, 2003. We have not approved any alternative software at this time.
7. Although we require you to have a computer with a network interface card that will run the Required Software, we do not impose additional technical requirements at this time except that your computer must be less than one (1) year old at the time you begin using it in the Franchised Business. We may, in the future, impose additional requirements on new or replacement computer hardware. Based upon current market prices, you should be able to obtain an adequate new computer for less than \$2,500.00, including monitor, keyboard, mouse, printer and other peripheral devices. You must install and use upgrades and replacement equipment when we require it, which we may do at any time. There is no contractual limit on how much an upgrade would cost.
8. The required computer hardware and Required Software will assist you in gathering, analyzing and reporting data and service results. The required computer hardware and Required Software will also collect and make available to you and to us extensive

information about your business, including purchases, customer data, inventory, receipts, cost of goods, profitability and expenses, including payroll and employee expense and scheduling. Under the Franchise Agreement, we have unlimited independent access to the information for any proper purpose. Unless otherwise required by law, we will not provide the information to any other person except in summary or statistical formats—and with your identifying information removed.

Item 12. TERRITORY

We will grant you a geographic territory (“Territory”) which we will describe in Exhibit B to the Franchise Agreement. If you are not in breach of the Franchise Agreement, we will not locate or open a competitive business under the Marks and using the System in your Territory, either company-owned or franchised, during the term of the Franchise Agreement. You are permitted to operate the Franchised Business only at one (1) location and only within your Territory. There are no restrictions on where customers may come from. You may only engage in direct marketing within your Territory.

The Franchise Agreement excludes certain sites from your Territory, even though they may be located within the boundaries of your Territory. We, or a person we designate, may directly or indirectly sell and distribute goods and services at those locations, including the same goods and services you offer and may use the Marks, without paying you or any other franchisee. In addition, we may offer products and services under the same or a different trade name or trademark, including within your Territory through alternative distribution methods, including through independent retail outlets, catalogs, mail order and through electronic media, including television, radio, the Internet and through other new or emerging commercial technological media without paying you or any other franchisee. You may not market your goods and services over the Internet or through other alternative distribution methods without our prior written approval.

The Franchise Agreement permits us to modify the boundaries and size of your Territory if the population of your territory increases by fifty percent (50%) or more from the estimated population at the time you sign the Franchise Agreement. If a modification reduces the size of your Territory, and you are in full compliance with the Franchise Agreement, you will have a sixty (60) day first right of refusal to license and operate another franchise in the newly created territory. If a modification reduces the size of the territory of more than one (1) franchisee, the affected franchisees will have rights of refusal in the order of the amounts of population severed from each territory; but if more than one (1) territory is reduced by approximately the same percentage, then the affected franchisees will receive rights of refusal in the order of their seniority as franchisees in the affected territories.

In determining the original size and boundaries of your Territory, we will consider demographic and other factors that we deem appropriate, including the number of people living within the logical market area, the number and size of competitors, traffic patterns, the competitive situation, natural determinants, and economic data. We will not necessarily give any single factor or combination of factors controlling weight. Your Territory will not be identical to that of any other franchise and you must make your decision whether to purchase the franchise based upon your knowledge of your proposed Territory.

If you are in full compliance with the Franchise Agreement and with the Manual, we may permit you to acquire expansion territory. Expansion territory is adjacent territory that we have not assigned to another franchisee. The current price of such expansion territory is \$5,000.00. The purchase price for expansion territory is payable, in full, when you sign an addendum for the expansion territory. We will determine the minimum and maximum size and configuration of an expansion territory and may impose reasonable conditions, including, but not limited to the opening of a satellite office in the expansion territory.

Except as described above, we and our affiliate(s) will not establish other franchised or company-owned offices within your Territory. Except as described above, we will not alter your Territory. Your continued Territory rights are not affected by your sales volume, market penetration or any other contingency.

Item 13. TRADEMARKS

We give you the right to use the name “Road Star Driving School,” and other trade names, trademarks, service marks, trade dress and logos we currently use or which we may adopt or approve (the “Marks”) in the Franchised Business. You must follow our rules when you use the Marks. You may only use the Marks exactly as we specify. You may not use any of the Marks in connection with the offer or sale of any unauthorized product or service.

We own the right to use our principal trademark of the name and service mark “Road Star Driving School.”

In addition to our common law rights to the Mark, we have obtained a registration for the name “Road Star Driving School” which was issued on September 13, 2016 by the United States Patent and Trademark Office. The United States Patent and Trademark Office has issued to us the Registration Number 5,042,402 and the and the Serial Number 86-676,829.

There are no presently active determinations of the Patent Office, the Trademark Administrator, or any state or any court, any pending interference, opposition or cancellation proceeding or any pending material litigation involving the Marks that is relevant to your ability to use the Marks in connection with the Franchised Business.

There are no agreements that significantly limit our rights to use or license you to use the Marks in any manner material to the Franchised Business.

You must inform us if you become aware of any misuse or misappropriation of the Marks or anything confusingly similar. You may not start any litigation relating to the wrongful use of the Marks without our prior written approval. We may take whatever action we deem appropriate to protect or defend the Marks or System, but we need not take any action.

If a third party sues you claiming that you are infringing the trademark or trade name of the third party by using the Marks, you must inform us immediately. We will indemnify you as to that claim only and have the right to control the litigation.

It may become necessary in our sole discretion, because of trademark litigation, a decision of the Patent and Trademark Office, or otherwise, to change the Marks. In that event, you must immediately adopt the new or revised Marks and our maximum liability, including for any purported goodwill, is to reimburse you for the actual out-of-pocket costs of changing the principal signs identifying your Premises.

We do not know of any person claiming or having superior rights to any of the Marks or of any infringing uses of the Marks that could materially affect your use of the Marks.

Item 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not currently own any patents. We have copyrighted and will continue to copyright the Manual and revisions of all Manuals, handbooks and construction plans loaned to you, and all training materials we provide or sell to you and your employees. We have not registered any copyrights, but may in the future.

We do not know of any person claiming or having superior rights to any of the copyrights or of any infringing uses of the copyrights that could materially affect your use of the copyrights.

The Manual(s), the contents of each, and certain other information we will provide to you are all confidential trade secrets. All information we provide to you or which you develop in the course of performing under the Franchise Agreement which is not generally available to the public and which a competitor might find valuable are trade secrets. If we designate something as a “Trade Secret,” you must treat it as a Trade Secret whether or not it would otherwise meet any definition of “Trade Secret.” You are responsible for protecting all trade secrets and you cannot transfer them or sell them to anyone at any time. You must require Instructors(s) and other employees who have access to Trade Secrets to comply with your obligations under the Franchise Agreement to protect our Trade Secrets.

Item 15. OBLIGATION TO PARTICIPATE IN THE OPERATION OF THE FRANCHISED BUSINESS

You must either devote your full time and effort to managing and operating the Franchised Business or delegate its management or operation to a responsible person. You must reserve and exercise ultimate authority and responsibility over operation and management of the Franchised Business. If you delegate management and operation to a manager, the manager must first successfully complete our initial training program within sixty (60) days after assuming the role of manager. If you are a corporation or other entity, each owner must personally guaranty the Franchise Agreement and the entity must designate a competent manager. We do not require the designated manager to be an equity owner of the Franchised Business. You must, at all times, employ at least one (1) Instructor. You must require each manager and employee to whom you disclose our Trade Secrets to be subject to the trade secrets section of the Franchise Agreement (Franchise Agreement – Article 5). You must require every manager and employee with access to Trade Secrets to sign a confidentiality agreement. The current form of confidentiality agreement is Exhibit I to the Franchise Agreement.

Item 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale only products and services we approve. You must offer driver education and all associated services of driver education under our Marks and following our System and of a type, quality and variety consistent with the Road Star Driving School image. You must obtain your supplies and equipment from suppliers we select or approve. We have sole discretion in determining what constitutes the Road Star Driving School image. The image is constantly evolving as markets change and evolve. You may not engage in sales through alternative distribution channels or the Internet without our prior written approval. We are not required to give you such approval.

We may change the System or any part of the System at any time, and as changed it will remain the System. We own any improvements or changes in the System whether we, you or other franchisees develop them and have the right to adopt and perfect such improvements or changes without compensating you. If we modify the System, you must, at your own expense, adopt and use the modification(s) as if they were part of the System at the time you signed the Franchise Agreement. There are no restrictions on our right to modify the types of goods and services you will offer except that we will remain primarily a provider of driver education and all services associated with driver education.

Item 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements. You should read these provisions in the agreements attached to this Franchise Disclosure Document.

THE FRANCHISE RELATIONSHIP

	Provision	Section in Franchise Agreement	Summary
a.	Term of the Franchise Agreement	Article 1	Ten (10) years.
b.	Renewal or extension of the term	Article 9	If you are in good standing and we continue the franchise system in your area, we may permit you to renew for another term under the then-current agreement, which may be materially different than the agreement we are now offering.

	Provision	Section in Franchise Agreement	Summary
c.	Requirements for you to renew or extend	Article 9	Be in good standing with us, sign new Franchise Agreement, update or replace equipment, retain Premises, give twelve (12) months' notice and pay a fee of not more than two-thirds (2/3) of the then-current Initial Fee.
d.	Termination by you	Article 18	At any time, in our discretion, upon ninety (90) days' notice; no cause required; sign agreement including general release in exchange for a fee.
e.	Termination by Franchisor without cause	None	
f.	Termination by Franchisor with cause	Article 15	We may terminate only for cause. We may, in lieu of terminating your franchise, terminate your territorial rights and leave your franchise in full force and effect; however, terminating your territorial rights does not limit our rights thereafter to terminate your franchise for the same or a different cause.
g.	"Cause" defined--defaults which can be cured	Article 15	You have seventy-two (72) hours to cure: failure to pay us or our affiliate(s) or another franchisee; unauthorized assignment; abandonment (even if unintentional); you become insolvent; failure to pay any taxes before delinquent; sublicensing of Marks; impasse among owners of Franchise; refusal to permit an audit; violation of any law or rule (including any health codes, rules or regulations); conviction of a felony; failure to operate properly using the Marks; unethical or dishonest business dealings; failure to maintain insurance; failure to timely deliver estoppel certificate; or termination of any other agreement between you and us for cause. You have thirty (30) days to cure any breach of the Franchise Agreement for which the Franchise Agreement does not specify a shorter period.
h.	"Cause" defined--defaults which cannot be cured	Article 15	Non-curable defaults: repeated defaults, even if cured; you are adjudged bankrupt; assignment for benefit of creditors; abandonment of business; convicted or plead guilty to violating law relating to Franchised Business.

	Provision	Section in Franchise Agreement	Summary
i.	Your obligations on termination/nonrenewal	Articles 16 & 17	No further use of Marks, telephone numbers, telephone listings, computer software, Trade Secrets or the Manual; certain notification obligations; payment of sums due to us; we have option to lease or assume lease for your Premises; sign document(s) to transfer telephone numbers; continuing royalties on pending sales, if any; and we have option to purchase any part of your business assets. If we elect to assume your lease and to operate a Franchised Business from your Premises, you must cooperate in a changeover procedure, including notifying the landlord of the change of tenant, conducting an inventory, permitting us to use your furniture, fixtures and equipment for up to sixty (60) days, and permitting us to communicate directly with your employees, vendors and customers in order to facilitate a smooth transition.
j.	Assignment of contract by Franchisor	Articles 12, 14 & 21	No restriction on our right to assign except that if our assignee assumes all of our obligations to you then we are free of further liability to you.
k.	“Transfer” by you--definition	Articles 11, 12, 13 & 14	Includes any assignment, transfer, sale, sublease or encumbrance of the Franchise Agreement, the Franchised Business, the assets of your business, the Premises, or of any ownership interest in the franchisee if you are a corporation, partnership or limited liability company or other form of entity.
l.	Franchisor’s approval of transfer by franchisee	Articles 11, 12, 13 & 14	Franchisor has the right to approve or disapprove all transfers.
m.	Conditions for franchisor’s approval of transfer	Articles 11, 12, 13 & 14	You are current in all fees to us; you are not in material breach of the Franchise Agreement; you have paid all debts of your business; new franchisee signs release of claims against us for representations you made; you sign a mutual termination and release of the Franchise Agreement; we receive transfer fee (\$7,500.00); new franchisee signs the then-current form of Franchise Agreement (except preserving your financial terms for balance of your term); new franchisee qualifies; new franchisee successfully completes initial training program; new franchisee obtains rights to your Premises lease, if applicable; and we receive thirty (30) day right of first refusal. The fee to transfer to an entity with identical ownership is \$500.00.

	Provision	Section in Franchise Agreement	Summary
n.	Franchisor's right of first refusal to acquire your business	Article 12 & 17	We may match any offer for your business.
o.	Franchisor's option to purchase your business	Article 17	On termination, we may purchase any part of your business at the fair market value of the tangible personal property purchased.
p.	Your death or disability	Articles 12 & 13	Your heirs or personal representative must, within ninety (90) days, either (i) request the right to continue to operate the business, subject to Article 13 of the Franchise Agreement except that no transfer fee will be payable, or (ii) sell the Franchised Business to a third party, subject to Article 13 of the Franchise Agreement. If we deny a request to continue to operate the business, the ninety (90) days to sell begins on the date of our denial. The same applies if you become disabled as defined in Article 14 of the Franchise Agreement.
q.	Non-competition covenants during the term of the franchise	Article 16	No involvement in any competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	Articles 16 & 18 (if applicable)	For twenty-four (24) months, you must not compete with us within twenty (20) miles of the boundaries of your Territory, solicit or divert any of our customers or vendors or customers or vendors of any other franchisee, disclose any trade secrets, or solicit or hire any of our employees, former employees or franchisees. For twenty-four (24) months, you will not be employed by or in business with any person or entity that does any of those things.
s.	Modification of the Franchise Agreement	Article 21	Only by written agreement; we may modify Manual at any time.
t.	Integration/merger clause	Article 21	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises or agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Article 19 & 21	Except for actions for the sole purpose of collecting unpaid monies, including franchise fees, royalties or to enforce trademark or Trade Secret rights and covenants against competition, we will settle all disputes with you by arbitration, which will only occur after the parties try informally to resolve the dispute and participate in mediation.
v.	Choice of forum	Articles 19 & 21	Litigation or arbitration must be in the state of Indiana.
w.	Choice of law	Article 21	The law of the state where your Franchised Business is located applies.

Item 18. PUBLIC FIGURES

We do not currently use any public figure to promote our franchise.

Item 19. FINANCIAL PERFORMANCE REPRESENTATION

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 outlets, 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 outlet you are considering buying; or (2) a franchisor supplements the information provided in Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Franchised Business, however, we may provide you with the actual records of that Franchised Business. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Driver Education Franchising, LLC, 13233 Garnet Blvd., Carmel, IN 46033, and 317-506-2991, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20. OUTLETS AND FRANCHISE INFORMATION

System-Wide Outlet Summary

For years 2022 – 2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	11 [†]	13 [†]	2
	2023	13	13	0
	2024	13	13	0
Company-Owned	2022	2	2	0
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	13 [†]	15 [†]	2
	2023	15	15	0
	2024	15	15	0

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)

For years 2022 – 2024

State	Year	Number of Transfers
Indiana	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Status of Franchised Outlets

For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminated	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Indiana	2022	9 [†]	0	0	0	0	0	9 [†]
	2023	9 [†]	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
Colorado	2022	2	2	0	0	0	0	4
	2023	4	0	0	0	0	0	0
	2024	4	0	0	0	0	0	4
Totals	2022	11 [†]	2	0	0	0	0	13 [†]
	2023	13	0	0	0	0	0	13
	2024	13	0	0	0	0	0	13

Status of Company-Owned Outlets

For Years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Indiana	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
Colorado	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Totals	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

[†] Previous Franchise Disclosures inadvertently contained an error listing a total of 8 Indiana Franchised Outlets, however the correct number was actually 9. This scrivener's error was corrected in the Franchise Disclosure dated November 1, 2024.

Projected Openings as of December 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Fiscal Year
Indiana	0	0	0
Colorado	0	0	0

Item 21. FINANCIAL STATEMENTS

Attachment A contains our audited financial statements dated October 20, 2023, November 5, 2024 and November 21, 2025 for the 2022, 2023 and 2024 fiscal years, respectively. Our fiscal year ends on December 31.

Item 22. CONTRACTS

We urge you to read all of the contracts and agreements carefully. This Franchise Disclosure Document cannot possibly contain all of the terms of the various agreements. It is important that you understand all of those terms. We have attached the following contracts and agreements:

Attachment B - Franchise Agreement

- Exhibit A - Location of Franchised Business
- Exhibit B - Territory
- Exhibit C - Required Equipment
- Exhibit D - Items Subject to Specifications
- Exhibit E - Lease Addendum
- Exhibit F - Assignment of Telephone Numbers
- Exhibit G - Personal Guaranty
- Exhibit H - Master Lease (if applicable)
- Exhibit I - Nondisclosure and Non-Competition Agreement
- Exhibit J - Mutual Termination of Franchise Agreement and Release
- Exhibit K - Consent, Waiver and Release for Training
- Exhibit L - Release from Continuing Obligations

Item 23. RECEIPT

A receipt for this Franchise Disclosure Document is attached at the end of this document. You must remove one (1) copy, sign it and return it to us.

FRANCHISE DISCLOSURE DOCUMENT

ATTACHMENTS

Attachment A – Financial Statements

SEE FOLLOWING PAGES

DRIVER EDUCATION FRANCHISING LLC

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

DRIVER EDUCATION FRANCHISING LLC

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INDEPENDENT AUDITOR'S REPORT

To the Member of
Driver Education Franchising LLC

Opinion

We have audited the accompanying financial statements of Driver Education Franchising LLC (an Indiana corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Driver Education Franchising LLC as of December 31, 2022 and 2021, and the changes in its member's equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Driver Education Franchising LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Driver Education Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Driver Education Franchising LLC'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 Driver Education Franchising LLC'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.

A handwritten signature in black ink that reads "Kemper CPA Group LLP". The signature is written in a cursive, flowing style.

Kemper CPA Group, LLP
Avon, Indiana
October 20, 2023

DRIVER EDUCATION FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 6,199	\$ 5,936
Accounts receivable	<u>31,938</u>	<u>22,115</u>
Total assets	<u>\$ 38,137</u>	<u>\$ 28,051</u>
LIABILITIES		
Accounts payable	<u>\$ 13,005</u>	<u>\$ 7,897</u>
Total liabilities	<u>13,005</u>	<u>7,897</u>
MEMBER'S EQUITY		
Member's equity	<u>25,132</u>	<u>20,154</u>
Total liabilities and member's equity	<u>\$ 38,137</u>	<u>\$ 28,051</u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF INCOME AND CHANGES IN MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Franchise royalty fees	\$ 172,738	\$ 176,566
Online codes	57,900	61,165
Website fees	31,910	36,550
Gasoline reimbursement	<u>25,666</u>	<u>15,409</u>
Total revenues	<u>288,214</u>	<u>289,690</u>
EXPENSES		
Bank fees	479	404
Web hosting services	44,605	43,345
Professional fees	22,241	9,036
Miscellaneous	<u>251</u>	<u>250</u>
Total expenses	<u>67,576</u>	<u>53,035</u>
NET INCOME	220,638	236,655
MEMBER'S EQUITY AT BEGINNING OF YEAR	20,154	22,033
MEMBER DRAWS	<u>(215,660)</u>	<u>(238,534)</u>
MEMBER'S EQUITY AT END OF YEAR	<u>\$ 25,132</u>	<u>\$ 20,154</u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 220,638	\$ 236,655
Adjustments to reconcile net income to cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(9,823)	(3,223)
Increase (decrease) in:		
Accounts payable	<u>5,108</u>	<u>4,767</u>
Net cash provided by operating activities	<u>215,923</u>	<u>238,199</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member draws	<u>(215,660)</u>	<u>(238,534)</u>
Net cash used by financing activities	<u>(215,660)</u>	<u>(238,534)</u>
NET INCREASE (DECREASE) IN CASH	263	(335)
CASH AT BEGINNING OF YEAR	<u>5,936</u>	<u>6,271</u>
CASH AT END OF YEAR	<u><u>\$ 6,199</u></u>	<u><u>\$ 5,936</u></u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Driver Education Franchising LLC (the Company) was organized in April 2015 as a limited liability company (LLC) in the state of Indiana. As of January 1, 2017, all shares of the Company were transferred to the holding company Road Star Holding LLC. Road Star Holding LLC (Holding Corporation) is a single member LLC and owns 100% of the Company. The Company is primarily engaged in selling franchises for the instruction of driving motor vehicles and combining resources and talent that will lead to profitable establishment of driving schools throughout Indiana and four schools in Colorado.

Basis of Accounting – The financial statements of the Company have been prepared using the accrual basis of accounting.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

Accounts Receivable – The Company records receivables based on the amount they expect to collect from outstanding balances from the franchises. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2022 and 2021, the Company considered all accounts to be fully collectible and, accordingly, there was no allowance for doubtful accounts. The balance of accounts receivable at January 1, 2021, was \$18,892. The balance of accounts receivable at December 31, 2022 and 2021 was \$31,938 and \$22,115, respectively.

Income Taxes – The Company is treated as a partnership for federal and state tax purposes. Therefore, the net income or loss is reportable by the member personally. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Revenue Recognition Significant Accounting Policies under ASC 606 – The Company's revenues are comprised of franchise revenue, franchise royalty revenue, website fee revenue, and online code revenue.

Franchise fee – The Company charges a one-time franchise fee for all new franchises. The initial franchise fee is \$10,000. The performance obligation is the execution of the agreement of the franchise and the performance obligation is met when the new franchise has begun operations.

Franchise royalty fees – The Company charges a weekly franchise fee as stated in the franchise agreement. The franchise royalty fees are paid to the franchisor on a monthly basis in the amount of four to eight percent of gross revenue or \$125, as determined by the franchise agreement, whichever is greater. The performance obligation is to pay a portion of revenue to the franchisor each month and the performance obligation is recorded over the life of the agreement and recognized monthly.

Website fees – The Company charges monthly website fees to all students. The fee is a rate of \$5 per student registered. The performance obligation is to provide access to website services and the performance obligation is met as students register and gain access to the website.

Online codes – The Company charges a fee for online codes required for the online training course. The franchisee is also responsible for paying the franchisor for online codes at a rate of \$10 to \$15 per accepted student to the online training. The performance obligation is to provide access to the online training course and the performance obligation is met when the online course transpires.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement.

Additionally, under ASC 606, initial and successor franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's franchise agreements generally consist of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee. All initial franchise fees through December 31, 2022 have been waived.

Subsequent Events – The Organization has evaluated subsequent events through October 20, 2023, which is the date the financial statements were available to be issued.

Note 2 – RELATED PARTY TRANSACTIONS

The Company's member owns the majority of the franchisees as of December 31, 2022 and 2021. Franchise royalties paid by the related party franchisee and the related receivables are included in revenue and accounts receivable. The total revenues paid by related parties were \$187,807 and \$198,880 for the years ended December 31, 2022 and 2021, respectively. The amount due from related parties as of December 31, 2022 and 2021 is \$17,390 and \$14,524, respectively.

To the Member of
Driver Education Franchising LLC
13233 Garnett Blvd.
Carmel, IN 46033

We have audited the financial statements of Driver Education Franchising LLC for the years ended December 31, 2022 and 2021, and have issued our report thereon dated October 20, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated April 27, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Driver Education Franchising LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022 and 2021. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Company’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the shareholders of Driver Education Franchising LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "KEMPER CPA GROUP, LLP". The signature is written in a cursive, stylized font.

Kemper CPA Group, LLP
Avon, Indiana

DRIVER EDUCATION FRANCHISING LLC

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

DRIVER EDUCATION FRANCHISING LLC

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INDEPENDENT AUDITOR'S REPORT

To the Member of
Driver Education Franchising LLC

Opinion

We have audited the accompanying financial statements of Driver Education Franchising LLC (an Indiana corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income and changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Driver Education Franchising LLC as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Driver Education Franchising LLC 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 Driver Education Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Driver Education Franchising LLC'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 Driver Education Franchising LLC'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.

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is stylized with a large, sweeping initial 'K' and 'C'.

Kemper CPA Group, LLP
Avon, Indiana
November 5, 2024

DRIVER EDUCATION FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 6,912	\$ 6,199
Accounts receivable, net	<u>38,575</u>	<u>31,938</u>
Total assets	<u>\$ 45,487</u>	<u>\$ 38,137</u>
LIABILITIES		
Accounts payable	<u>\$ 4,588</u>	<u>\$ 13,005</u>
Total liabilities	<u>4,588</u>	<u>13,005</u>
MEMBER'S EQUITY		
Member's equity	<u>40,899</u>	<u>25,132</u>
Total liabilities and member's equity	<u>\$ 45,487</u>	<u>\$ 38,137</u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF INCOME AND CHANGES IN MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES		
Franchise royalty fees	\$ 190,216	\$ 172,738
Online codes	73,151	57,900
Website fees	48,502	31,910
Franchise fee	5,000	-
Gasoline reimbursement	<u>20,037</u>	<u>25,666</u>
Total revenues	<u>336,906</u>	<u>288,214</u>
EXPENSES		
Bank fees	449	479
Web hosting services	58,534	44,605
Professional fees	2,406	22,241
Bad debt expense	1,000	-
Miscellaneous	<u>250</u>	<u>251</u>
Total expenses	<u>62,639</u>	<u>67,576</u>
NET INCOME	274,267	220,638
MEMBER'S EQUITY AT BEGINNING OF YEAR	25,132	20,154
MEMBER DRAWS	<u>(258,500)</u>	<u>(215,660)</u>
MEMBER'S EQUITY AT END OF YEAR	<u>\$ 40,899</u>	<u>\$ 25,132</u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 274,267	\$ 220,638
Adjustments to reconcile net income to cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable	(6,637)	(9,823)
Increase (decrease) in:		
Accounts payable	<u>(8,417)</u>	<u>5,108</u>
Net cash provided by operating activities	<u>259,213</u>	<u>215,923</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member draws	<u>(258,500)</u>	<u>(215,660)</u>
Net cash used by financing activities	<u>(258,500)</u>	<u>(215,660)</u>
NET INCREASE (DECREASE) IN CASH	713	263
CASH AT BEGINNING OF YEAR	<u>6,199</u>	<u>5,936</u>
CASH AT END OF YEAR	<u><u>\$ 6,912</u></u>	<u><u>\$ 6,199</u></u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Driver Education Franchising LLC (the Company) was organized in April 2015 as a limited liability company (LLC) in the state of Indiana. As of January 1, 2017, all shares of the Company were transferred to the holding company Road Star Holding LLC. Road Star Holding LLC (Holding Corporation) is a single member LLC and owns 100% of the Company. The Company is primarily engaged in selling franchises for the instruction of driving motor vehicles and combining resources and talent that will lead to profitable establishment of driving schools throughout Indiana and four schools in Colorado.

Basis of Accounting – The financial statements of the Company have been prepared using the accrual basis of accounting.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

Accounts Receivable – On January 1, 2023, the Company adopted the new accounting guidance related to the allowance for credit losses on accounts receivable. The impact of adoption of this standard was not material to the financial statements and had no impact on the opening balance of retained earnings.

The Company extends credit on a short-term basis to customers in the normal course of business. Accounts receivables are stated at their estimated collectible amounts and comprise amounts billed and currently due from customers. These uncollateralized customer obligations are due under normal trade terms requiring payment within thirty days from the invoice date. Unpaid accounts receivable with invoice dates over thirty days old are not subject to a finance charge.

The carrying amounts of accounts receivable are reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Collections from customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry-specific economic factors. The Company also considers any specific customer collection issues. Since the Company's accounts receivable are largely similar, the Company evaluates its allowance for credit losses as one portfolio segment. At origination, the Company evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics. On a continuing basis, data for each major customer is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses; actual write-offs are charged against the allowance. Write-offs to the allowance for credit losses were \$1,000 and \$-0-, respectively for years ended December 31, 2023 and 2022.

The balance of accounts receivable at January 1, 2022, was \$22,115.

Income Taxes – The Company is treated as a partnership for federal and state tax purposes. Therefore, the net income or loss is reportable by the member personally. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Significant Accounting Policies under ASC 606 – The Company's revenues are comprised of franchise revenue, franchise royalty revenue, website fee revenue, and online code revenue.

Franchise fee – The Company charges a one-time franchise fee for all new franchises. The initial franchise fee is \$10,000. The performance obligation is the execution of the agreement of the franchise and the performance obligation is met when the new franchise has begun operations.

Franchise royalty fees – The Company charges a weekly franchise fee as stated in the franchise agreement. The franchise royalty fees are paid to the franchisor on a monthly basis in the amount of four to eight percent of gross revenue or \$125, as determined by the franchise agreement, whichever is greater. The performance obligation is to pay a portion of revenue to the franchisor each month and the performance obligation is recorded over the life of the agreement and recognized monthly.

Website fees – The Company charges monthly website fees to all students. The fee is a rate of \$6 per student registered. The performance obligation is to provide access to website services and the performance obligation is met as students register and gain access to the website.

Online codes – The Company charges a fee for online codes required for the online training course. The franchisee is also responsible for paying the franchisor for online codes at a rate of \$12.50 to \$17.50 per accepted student to the online training. The performance obligation is to provide access to the online training course and the performance obligation is met when the online course transpires.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement.

Additionally, under ASC 606, initial and successor franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's franchise agreements generally consist of an obligation to grant geographically exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee. All initial franchise fees through December 31, 2023 have been waived.

Subsequent Events – The Organization has evaluated subsequent events through November 5, 2024, which is the date the financial statements were available to be issued.

Note 2 – RELATED PARTY TRANSACTIONS

The Company's member owns the majority of the franchisees as of December 31, 2023 and 2022. Franchise royalties paid by the related party franchisee and the related receivables are included in revenue and accounts receivable. The total revenues paid by related parties were \$202,301 and \$187,807 for the years ended December 31, 2023 and 2022, respectively. The amount due from related parties as of December 31, 2023 and 2022 is \$26,971 and \$17,390, respectively.

To the Member of
Driver Education Franchising LLC
13233 Garnett Blvd.
Carmel, IN 46033

We have audited the financial statements of Driver Education Franchising LLC for the years ended December 31, 2023 and 2022, and have issued our report thereon dated November 5, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 16, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Driver Education Franchising LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023 and 2022. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Company’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the shareholders of Driver Education Franchising LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is written in a cursive, flowing style.

Kemper CPA Group, LLP
Avon, Indiana

DRIVER EDUCATION FRANCHISING LLC

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2024 AND 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Member of
Driver Education Franchising LLC

Opinion

We have audited the accompanying financial statements of Driver Education Franchising LLC (an Indiana corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Driver Education Franchising LLC as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Driver Education Franchising LLC 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 opinions.

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 Driver Education Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Driver Education Franchising LLC'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 Driver Education Franchising LLC'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.

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is stylized with a large, sweeping 'K' and 'G'.

Kemper CPA Group, LLP
Avon, Indiana
November 21, 2025

DRIVER EDUCATION FRANCHISING LLC
BALANCE SHEETS
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 8,050	\$ 6,912
Accounts receivable, net	<u>54,997</u>	<u>38,575</u>
Total assets	<u><u>\$ 63,047</u></u>	<u><u>\$ 45,487</u></u>
LIABILITIES		
Accounts payable	<u>\$ 7,188</u>	<u>\$ 4,588</u>
Total liabilities	<u>7,188</u>	<u>4,588</u>
Equity		
Member's equity	<u>55,859</u>	<u>40,899</u>
Total liabilities and member's equity	<u><u>\$ 63,047</u></u>	<u><u>\$ 45,487</u></u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF INCOME AND CHANGES IN MEMBER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUES		
Franchise royalty fees	\$ 185,465	\$ 190,216
Online codes	70,302	73,151
Website fees	43,068	48,502
Franchise fee	-	5,000
Gasoline reimbursement	8,912	20,037
Total revenues	<u>307,747</u>	<u>336,906</u>
EXPENSES		
Bank fees	445	449
Web hosting services	60,305	58,534
Professional fees	20,293	2,406
Bad debt expense	-	1,000
Miscellaneous	-	250
Total expenses	<u>81,043</u>	<u>62,639</u>
NET INCOME	226,704	274,267
MEMBER'S EQUITY AT BEGINNING OF YEAR	40,899	25,132
MEMBER DRAWS	<u>(211,744)</u>	<u>(258,500)</u>
MEMBER'S EQUITY AT END OF YEAR	<u>\$ 55,859</u>	<u>\$ 40,899</u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 226,704	\$ 274,267
Adjustments to reconcile net income to cash provided by operating activities:		
Increase in:		
Accounts receivable	(16,422)	(6,637)
Increase in:		
Accounts payable	<u>2,600</u>	<u>(8,417)</u>
Net cash provided by operating activities	<u>212,882</u>	<u>259,213</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member draws	<u>(211,744)</u>	<u>(258,500)</u>
Net cash used by financing activities	<u>(211,744)</u>	<u>(258,500)</u>
NET INCREASE IN CASH	1,138	713
CASH AT BEGINNING OF YEAR	<u>6,912</u>	<u>6,199</u>
CASH AT END OF YEAR	<u><u>\$ 8,050</u></u>	<u><u>\$ 6,912</u></u>

The accompanying notes are an integral part of these financial statements.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Driver Education Franchising LLC (the Company) was organized in April 2015 as a limited liability company (LLC) in the state of Indiana. As of January 1, 2017, all shares of the Company were transferred to the holding company Road Star Holding Inc. Road Star Holding Inc (Holding Corporation) is an S corporation and owns 100% of the Company. The Company is primarily engaged in selling franchises for the instruction of driving motor vehicles and combining resources and talent that will lead to profitable establishment of driving schools throughout Indiana and four schools in Colorado.

Basis of Accounting – The financial statements of the Company have been prepared using the accrual basis of accounting.

Use of Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

Accounts Receivable – The Company extends credit on a short-term basis to customers in the normal course of business. Accounts receivable are stated at their estimated collectible amounts and comprise amounts billed and currently due from customers. These uncollateralized customer obligations are due under normal trade terms requiring payment within thirty days from the invoice date. Unpaid accounts receivable with invoice dates over thirty days old are not subject to a finance charge.

The carrying amounts of accounts receivable are reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Collections from customers are continuously monitored and an allowance for credit losses is maintained based on historical experience adjusted for current conditions and reasonable forecasts taking into account geographical and industry-specific economic factors. The Company also considers any specific customer collection issues. Since the Company's accounts receivable are largely similar, the Company evaluates its allowance for credit losses as one portfolio segment. At origination, the Company evaluates credit risk based on a variety of credit quality factors including prior payment experience, customer financial information, credit ratings, probabilities of default, industry trends and other internal metrics. On a continuing basis, data for each major customer is regularly reviewed based on past-due status to evaluate the adequacy of the allowance for credit losses; actual write-offs are charged against the allowance. Write-offs to the allowance for credit losses were \$-0- and \$1,000, respectively for years ended December 31, 2024 and 2023.

The balance of accounts receivable at January 1, 2023, was \$31,938.

Income Taxes – The Company is treated as a disregarded entity for federal and state tax purposes. Therefore, the net income or loss is reportable by the Holding Corporation. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Revenue and Costs Recognition – The Company adopted ASU 2014-09 *Revenue from Contracts with Customers* which creates a single framework for recognizing revenue from contracts with customers that fall within its scope.

Franchise fee – The Company charges a one-time franchise fee for all new franchises. The initial franchise fee is \$5,000-10,000. The performance obligation is the execution of the agreement of the franchise and the performance obligation is met when the new franchise has begun operations.

DRIVER EDUCATION FRANCHISING LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Franchise royalty fees – The Company charges a weekly franchise fee as stated in the franchise agreement. The franchise royalty fees are paid to the franchisor on a monthly basis in the amount of four to eight percent of gross revenue or \$125, as determined by the franchise agreement, whichever is greater. The performance obligation is to pay a portion of revenue to the franchisor each month and the performance obligation is recorded over the life of the agreement and recognized monthly.

Website fees – The Company charges monthly website fees to all students. The fee is a rate of \$6 per student registered. The performance obligation is to provide access to website services and the performance obligation is met as students register and gain access to the website.

Online codes – The Company charges a fee for online codes required for the online training course. The franchisee is also responsible for paying the franchisor for online codes at a rate of \$12.50 to \$17.50 per accepted student to the online training. The performance obligation is to provide access to the online training course and the performance obligation is met when the online course transpires.

The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use our intellectual property over the term of each franchise agreement.

Additionally, under ASC 606, initial and successor franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. The Company's franchise agreements generally consist of an obligation to grant geographically exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is accounted for identically to the initial franchise fee.

Subsequent Events – The Company has evaluated subsequent events through November 21, 2025, which is the date the financial statements were available to be issued.

Note 2 – RELATED PARTY TRANSACTIONS

The Company's member owns the majority of the franchisees as of December 31, 2024 and 2023. Franchise royalties paid by the related party franchisee and the related receivables are included in revenue and accounts receivable. The total revenues paid by related parties were \$189,217 and \$202,301 for the years ended December 31, 2024 and 2023, respectively. The amount due from related parties as of December 31, 2024 and 2023 is \$39,333 and \$26,971, respectively.



To the Member of
Driver Education Franchising LLC
13233 Garnett Blvd.
Carmel, IN 46033

We have audited the financial statements of Driver Education Franchising LLC for the years ended December 31, 2024 and 2023, and have issued our report thereon dated November 21, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated July 18, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Driver Education Franchising LLC are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024 and 2023. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Company’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the shareholders of Driver Education Franchising LLC and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "KEMPER CPA GROUP LLP". The signature is written in a cursive, stylized font.

Kemper CPA Group, LLP
Avon, Indiana

Attachment B – Franchise Agreement

SEE FRANCHISE AGREEMENT

Attachment C – List of Current and Former Franchisees

Coach Burrus Driving School LLC

Lafayette Driving School LLC

Vincennes Driving School LLC

Jasper Driving School LLC

Newburgh Driving School LLC

IASDS – Driving School LLC

Road Star CS LLC

Geist Driving School LLC

Fishers Driving School LLC

Lebanon Driving School LLC

Road Star Driving Carmel, LLC

Road Star Colorado Springs South LLC

Road Star Driving School

Operations Manual

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Attachment E – Registered Agents

Registered Agents

Franchisor's agents for service of process are as follows:

California: Commissioner of Corporations 1390 Market Street Suite 800 San Francisco, California 94102	Nebraska: Department of Banking & Finance 1200 N Street, Suite 311 P.O. Box 95006 Lincoln, NE 68509
Connecticut: Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103	New York: New York Secretary of State 41 State Street Albany, NY
Delaware: Mr. Richard H. (Rick) Bell, President Harvard Business Services, Inc. 25 Greystone Manor Lewes, Delaware, 19958-9776	North Dakota: Franchise Examiner Office of Securities Commissioner 600 East Boulevard, Fifth Floor Bismarck, ND 58505
Florida: Department of Agriculture & Consumer Services Division of Consumer Services P.O. Box 6700 Tallahassee, FL 32314-6700	Oregon: Director Department of Consumer and Business Services Corporate Securities Section Labor and Industries Building Salem, OR 97310
Hawaii: Business Registration Division Department of Commerce and Consumer Affairs 1010 Richards Street Honolulu, HI 96813	Rhode Island: Chief Securities Examiner Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903
Illinois: Illinois Attorney General Office of Attorney General 500 S Second Springfield, IL 92796	South Dakota: Franchise Administrator Division of Securities 118 West Capitol Pierre, SD 57501
Indiana: Indiana Secretary of State 201 State House Indianapolis, IN 46204	Texas: Secretary of State P.O. Box 12887 Austin, TX 78711

Attachment E – Registered Agents

Iowa: Director of Regulated Industries Unit Iowa Securities Bureau 340 Maple Des Moines, IA 50319-0066	Virginia: Clerk State Corporation Commission 1300 E Main Street, 1st Floor Richmond, VA 23219
Maryland: Maryland Securities Commissioner 200 St. Paul Place, 20th Floor Baltimore, MD 21202-2020	Washington: Director Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98507-9033
Michigan: Franchise Administrator Michigan Department of Attorney General 670 Law Building Lansing, MI 48913	Wisconsin: Franchise Administrator Division of Securities Department of Financial Institutions PO Box 1768 Madison, WI 53701
Minnesota: Minnesota Commissioner of Commerce 133 East Seventh Street St. Paul, MN 55101	

Attachment F – State Agencies

State Agencies

The State agencies involved with franchising are as follows:

California: Commissioner of Corporations 1515 K Street, Suite 200 Sacramento, California 95814-4052	New York: Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23 rd Floor New York, NY 10271
Connecticut: Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06103-1800	North Dakota: Franchise Examiner Office of Securities Commissioner 600 East Boulevard, Fifth Floor Bismarck, ND 58505
Florida: Department of Agriculture & Consumer Services Division of Consumer Services P.O. Box 6700 Tallahassee, FL 32314-6700	Oregon: Director Department of Consumer and Business Services Corporate Securities Section Labor and Industries Building Salem, OR 97310
Hawaii: Business Registration Division Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, HI 96810	Rhode Island: Chief Securities Examiner Division of Securities 233 Richmond Street, Suite 232 Providence, RI 02903
Illinois: Illinois Attorney General Office of Attorney General 500 S Second Springfield, IL 92796	South Dakota: Franchise Administrator Division of Securities 118 West Capitol Pierre, SD 57501
Indiana: Franchise Section Secretary of State 302 West Washington Street Indianapolis, IN 46204	Texas: Statutory Document Section PO Box 12887 Austin, TX 78711
Iowa: Director of Regulated Industries Unit Iowa Securities Bureau 340 East Maple Des Moines, IA 50319-0066	Utah: Division of Consumer Protection Utah Department of Commerce 160 East Three Hundred South PO Box 45804 Salt Lake City UT 84145-0804

Attachment F – State Agencies

Maryland: Office of the Attorney General Securities Division 200 St. Paul Place, 20 th Floor Baltimore, MD 21202-2020	Virginia: State Corporations Commission Division of Securities and Retail Franchising 1300 E Main Street, 9 th Floor Richmond, VA 23219
Michigan: Franchise Administrator Michigan Department of Attorney General 670 Law Building Lansing, MI 48913	Washington: Director Department of Financial Institutions Securities Division PO Box 9033 Olympia, WA 98507-9033
Minnesota: Franchise Examiner Minnesota Department of Commerce 133 East Seventh Street St. Paul, MN 55101	Wisconsin: Franchise Administrator Division of Securities Department of Financial Institutions PO Box 1768 Madison, WI 53701
Nebraska: Department of Banking and Finance 1200 N Street, Suite 311 PO Box 95006 Lincoln, NE 68509	

The Address of the United States Federal Trade Commission is:

Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Attachment G - State Law Addendum

Indiana Addendum

(Applies only to Indiana franchisees)

Indiana law prohibits requiring you to prospectively agree to a release or waiver which purports to relieve any person from liability imposed by the Indiana Franchise Practices Act (IC 23-2-2.7(5)). The Franchise Agreement shall be deemed amended to the extent necessary to comply with IC 23-2-2.7(5).

Indiana law limits the parties agreement to resolve disputes in any jurisdiction outside of Indiana (IC 23-2-2.7(10)). Subject to the Federal Arbitration Act, the Franchise Agreement shall be deemed amended and the forum for any court proceedings shall be in Indiana.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year indicated below.

Dated: _____ [effective date]	Date signed: _____
FRANCHISOR: Driver Education Franchising, LLC	FRANCHISEE:
By _____ S. Kyle Meek/CEO	_____ Franchisee
13233 Garnet Blvd. Carmel, IN 46033	Address: _____ _____ _____ Phone: _____

Attachment H – Effective Dates

STATE EFFECTIVE DATES

The following states 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 Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

INDIANA	November 24, 2020
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Attachment I – Franchise Application

Date: _____

APPLICATION FOR A ROAD STAR DRIVING SCHOOL FRANCHISE

I/we _____

of _____
hereby submit an application to Driver Education Franchising, LLC, 13233 Garnet Blvd., Carmel, IN 46033
for a Road Star Driving School Franchise:

Our Road Star Driving School Franchise is to be located in:

_____, in the state of _____ (the “State”). This application
once submitted is subject to the following terms and conditions:

1. Initial Franchise Fee for this franchise is Ten Thousand Dollars (\$10,000) payable in cash/check as follows:
 - A. Five Thousand Dollars (\$5,000) deposit (non-refundable, except as set forth in Paragraph 2 below) Payable to Driver Education Franchising, LLC upon submitting this Application.
 - B. Five Thousand Dollars (\$5,000) is due and payable to Driver Education Franchising, LLC within seven (7) days of notification that my/our application has been approved. At such time, I/we will execute the Driver Education Franchising, LLC Franchise Agreement and appropriate Exhibits.
2. If my/our Application is disapproved by Driver Education Franchising, LLC, the Five Thousand Dollar (\$5,000) deposit will be immediately refunded.
3. I/we acknowledge that I/we have, at least fourteen (14) calendar days, prior to the signing of this Application Agreement, received Driver Education Franchising, LLC current form of Franchise Disclosure Document applicable to the State. I/we understand that a completed form of the Franchise Agreement will be provided at least five (5) business days prior to signing the Franchise Agreement, and that all other terms are to be in accordance with it.
4. I/we have submitted a completed Confidential Qualification Report, including a completed Individual Financial Statement on the Driver Education Franchising, LLC form and I/we hereby authorize Driver Education Franchising, LLC to conduct an investigation of my/our background(s) to verify the information submitted.
5. I/we acknowledge and understand that submission of this application does not bind or obligate Driver Education Franchising, LLC to issue a Road Star Driving School Franchise to me/us.

(Signature)

Applicant (Print Name)

(Signature)

Applicant (Print Name)

RECEIPT

[Retain This Copy for your Records]

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all Attachments carefully.

If Driver Education Franchising, LLC offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Driver Education 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 and your state agency listed on Attachment F.

I have received a Franchise Disclosure Document, Effective Date _____.

This disclosure document includes the following Attachments:

- A. Financial Statements
- B. Franchise Agreement
- C. List of Current and Former Franchisees
- D. Manual Table of Contents
- E. Agents for Service of Process
- F. State Agencies
- G. State Law Addendum
- H. Effective Dates
- I. Application for Franchise

Date: _____

Signature

Printed Name

Address

City

State

Zip

RECEIPT

[Return This Copy to us]

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all Attachments carefully.

If Driver Education Franchising, LLC offers you a franchise, it must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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- D. Manual Table of Contents
- E. Agents for Service of Process
- F. State Agencies
- G. State Law Addendum
- H. Effective Dates
- I. Application for Franchise

Date: _____

Signature

Printed Name

Address

City

State

Zip

You may return this signed receipt by signing, dating and transmitting by either (i) mailing it to Driver Education Franchising, LLC, Attn: Kyle Meek, 13233 Garnet Boulevard, Carmel, IN 46033; (ii) faxing a copy to (317) 569-1339; or (iii) emailing a copy in allstardrive@hotmail.com.