



## FRANCHISE DISCLOSURE DOCUMENT

Dealer Specialties International, Inc.

an Ohio corporation

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The franchise is offered for the sale, production and application of vehicle photography, data collection, and descriptive window stickers to facilitate vehicle sales at automobile dealerships under the Dealer Specialties International trade name and business system (a “**DSI Business**” or “**Business**”).

The total investment necessary to begin operation of a DSI Business ranges from \$17,900 to \$44,900. These totals include an initial franchise fee of \$10,000 that must be paid to us.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least fourteen (14) calendar days before you 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 governmental agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Do not rely on this disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, such as a lawyer or accountant.

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

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

Date of Issuance: April 6, 2023

## How to Use This Franchise Disclosure Document

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

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

## What You Need To Know About Franchising *Generally*

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

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

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

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

**Competition from franchisor.** Even if the Franchise Agreement grants you a territory, the franchisor or another franchisee may have the right to compete with you in your territory.

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

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

### Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your Franchise Agreement. If so, you should check [Exhibit F](#). See the Table of Contents for the location of [Exhibit F](#).

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Ohio. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Ohio
2. **Out-of-State Governing Law**. The Franchise Agreement states that Ohio law governs the agreement, and this law may not provide the same protection and benefits as your local law. You may want to compare these laws.

Certain states may require other risks to be highlighted. Check Exhibit F to see whether your state requires other risks to be highlighted.

Effective Date: April 6, 2023

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	2
ITEM 3 LITIGATION	2
ITEM 4 BANKRUPTCY	4
ITEM 5 INITIAL FEES	4
ITEM 6 OTHER FEES	4
ITEM 7 ESTIMATED INITIAL INVESTMENT	6
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	8
ITEM 9 FRANCHISEE'S OBLIGATIONS	9
ITEM 10 FINANCING	10
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	10
ITEM 12 TERRITORY	15
ITEM 13 TRADEMARKS	17
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	18
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	19
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	20
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	20
ITEM 18 PUBLIC FIGURES	24
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	24
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	25
ITEM 21 FINANCIAL STATEMENTS	38
ITEM 22 CONTRACTS	38
ITEM 23 RECEIPTS	39
<b>EXHIBITS:</b>	
<b>A</b> State Regulatory Authorities and Agents for Service of Process	
<b>B</b> Table of Contents to Confidential Operations Manual	
<b>C</b> List of Franchisees	
<b>D</b> Financial Statements	
<b>E</b> Franchise Agreement including the following Schedules: Schedule One: Personal Guaranty of owner/Shareholder Schedule Two: Additional Franchise Release Agreement Schedule Three: Resale/Renewal Termination By Release	
<b>F</b> Special State Requirements	
<b>G</b> Receipts	

Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

**The Franchisor and any Parents, Predecessors and Affiliates**

The name of the Franchisor is Dealer Specialties International, Inc., referred to as “we,” “us,” “our” or “DSI.” We also do business under the name “Dealer Specialties®.” “You” or “your” means a person who buys a franchise from us. If you are a corporation, partnership, limited partnership or limited liability company (a “**Business Entity**”), “you” or “your” will include all your principals, partners and owners.

We are an Ohio corporation incorporated on May 30, 1995. Our registered agent in this state for service of process is listed in Exhibit A. Our principal business address is 60 Overbrook Drive, Monroe, Ohio 45050.

**Parents and Affiliates**

Our intermediate parent is Dealer Specialties, Inc., an Ohio corporation (“**DS**”). DS has a principal business address of 60 Overbrook Drive, Monroe, Ohio 45050. DS is under indirect common control with Dealer Specialties, LLC, an Ohio limited liability company (“**DSL**”). DSL has a principal business address of 60 Overbrook Drive, Monroe, Ohio 45050. The direct parent of DSL is Dominion Enterprises, a Virginia general partnership (“**Dominion**”), which is under indirect common control with DS. Dominion has a principal business address of 150 Granby Street, Norfolk, Virginia 23510.

We have no predecessors. We are affiliated with the following entities:

ENTITY	TYPE	FORMATION		ADDRESS
		STATE	DATE	
Dealer Specialties, Inc.	Our Parent	OH	Dec. 1992	60 Overbrook Drive Monroe, OH 45050
Dealer Specialties, LLC	Our Affiliate	OH	Nov. 2019	60 Overbrook Drive Monroe, OH 45050
Dominion Enterprises	Our Affiliate	VA	Mar. 1991	150 Granby St. Norfolk, VA 23510

**The Franchise**

We have acquired experience, special skills, techniques and knowledge in the business of creating, marketing and licensing others to produce unique vehicle photographs (“**Photos**”), descriptive window sticker labels and/or electronic labels (each, a “**Label**”) to facilitate new and used vehicle sales and to assist dealers in complying with Federal Trade Commission (“**FTC**”) regulations, the collection, compilation, publication, assembly, distribution and dissemination of data concerning vehicles (“**Vehicle Data Distribution**”) through the use of our copyrighted software program (collectively, the “**Business**”). We are not involved in any other line of

business, nor do we offer franchises in any other line of business. The Business is operated using our proprietary computer software, “AutoStik™” and “RapidLot™” (the “**Software**”).

We grant franchisees the NON-EXCLUSIVE right to conduct the Business in a specific vehicle market for the production and sale of Photos and Labels to new and/or used vehicle dealers, only in accordance with the terms of our franchise agreement (the “**Franchise Agreement**”). A copy of the Franchise Agreement is attached as Exhibit E. You may face competition from other franchisees, from outlets that we or our affiliates may own, or from other channels of distribution or competitive brands that we control.

### **Industry Specific Regulations**

The only regulation specifically applicable to the Business is the FTC regulation, 16 CFR 455 (Code of Federal Regulations), which requires the written terms of a warranty to be made available before the sale of any used vehicle. The Labels comply with this federal regulation and furthers the purpose of the law by providing additional information to protect consumers.

## Item 2 BUSINESS EXPERIENCE

### **President, Dealer Specialties: Shane Marcum**

Mr. Shane Marcum been our operational President since January 2020. Mr. Marcum oversees the general management of DSI and our affiliate DSSLC.

### **Franchise Managers: Todd Price (West) & Brett Nicholson (East)**

Mr. Todd Price and Mr. Brett Nicholson have been our respective West and East Territory Franchise Managers since October 2017. Mr. Price was previously the National Operations Manager for Dealer Specialties and Mr. Nicholson was previously the National Sales Manager. Both Mr. Price and Mr. Nicholson have been employees of the business for more than 20 years.

## Item 3 LITIGATION

***Dealer Specialties, Inc. and Dealer Specialties International, Inc. v. Mark Piper, United States District Court, Southern District of Ohio, Case No. 1:18-cv-00525 (Judge Michael Barrett).*** DSI and DS filed and served a Verified Complaint against Mark Piper in August of 2018. Piper was a former franchisee who had separate franchise agreements for territories in Florida and Louisiana. The Verified Complaint alleged that Piper breached the restrictive covenants in his Franchise Agreements with DSI and in his Non-Compete Agreement with DS. The Verified Complaint also stated causes of action for trade secret misappropriation, tortious interference with business relationships, fraud, and unjust enrichment. The parties ultimately resolved the matter, and the suit was dismissed by an order dated September 20, 2021.

***Dealer Specialties, Inc. and Dealer Specialties International, Inc. v. Car Data 24/7, Inc., Gary Lindsey, Sherry Lindsey and Ell Jay Lindsey, United States District Court, Southern District of***

Ohio, Case No. 1: 15-cv-170-TSB (filed March 11, 2015); *Dealer Specialties International, Inc. v. Car Data 24/7, Inc., Gary Lindsey and Sherry Lindsey*, American Arbitration Association, Case No. 01-15-0002-9581 (filed March 18, 2015); *Dealer Specialties International, Inc. v. Car Data 2417, Inc., Gary Lindsey and Sherry Lindsey*, United States District Court, Southern District of Ohio, Case No. 1: 16-cv-00499 (filed April 27, 2016). In February 2015, DSI terminated its franchise agreement with Car Data 24/7, Inc. (“**Car Data 24/7**”) for failure to pay DSI continuing service and royalty fees. Also in February 2015, DSI learned that Car Data 24/7 was violating its restrictive covenants against competition with DSI by offering a competitor’s products and services to its customers. Thereafter, in March 2015, DSI filed a lawsuit and an arbitration proceeding against Car Data 24/7 and its guarantor/owners Gary Lindsey and Sherry Lindsey (the “**Lindseys**”). In the lawsuit, DSI joined as a plaintiff its affiliate, Dealer Specialties, Inc. (“**DS**”), and also joined Ell Jay Lindsey, who was the President of Car Data 24/7.

In the lawsuit, DSI requested injunctive relief against all Defendants and also damages against Ell Jay Lindsey for violating a noncompetition agreement between DSI, DS and him. On April 8, 2015, the Court granted DSI’s motion for an injunction against competition by Car Data 24/7, the Lindseys and Ell Jay Lindsey. Car Data 24/7, the Lindseys and Ell Jay Lindsey later answered the complaint in the lawsuit and brought a counterclaim against DSI and DS for breach of contract, unjust enrichment, tortious interference with business relationships, tortious interference with contracts and trade defamation. The substance of the counterclaim contended that DSI unfairly and in violation of its duty of good faith and fair dealing competed with Car Data 24/7 in its assigned geographic territory notwithstanding that the territory is defined in the franchise agreement as non-exclusive and also that DSI defamed Ell Jay Lindsey and Car Data 24/7 by claiming that the franchise agreement was terminated before the termination actually had occurred. This counterclaim was later stayed in favor of arbitration to the extent it was brought by Car Data 24/7 and Lindseys and the same claims as those in the lawsuit were subsequently made in the arbitration proceeding by Car Data 24/7 and the Lindseys. A final hearing in the arbitration occurred in March 2016, which addressed the parties’ respective claims against one another for damages except for those of Ell Jay Lindsey. Also in March 20 16, DSI moved for summary judgment in the lawsuit on its claims for injunctive relief against all Defendants and liability as to Ell Jay Lindsey’s breach of the noncompetition agreement. In addition, DSI requested summary judgment against Ell Jay Lindsey on his counterclaim.

In April 2016, the arbitrator issued a final award in favor of DSI for \$1,358,889.24 against Gary Lindsey and Car Data 24/7. The arbitrator also ruled in favor of the Company on the Lindseys’ counterclaim. DSI filed a (second) lawsuit against Car Data 24/7 and the Lindseys to confirm the arbitration award. Car Data 24/7 and the Lindseys did not respond, and the court entered default judgment against them in August 2016. In September 2016, the court granted summary judgment in the (first) lawsuit, finding in favor of DSI on the claims for injunctive relief against the Lindseys and as to liability on DSI’s claim for damages against Ell Jay Lindsey. The court denied Ell Jay Lindsey’s counterclaim. In March 2017, DSI filed a motion for damages against Ell Jay Lindsey. On April 26, 2017, the court entered a money judgment for \$2,560,063.66 against Ell Jay Lindsay. DSI registered the judgment in June and July of 2017 in the United States District Courts of the Middle District of Florida (Case No. 8: 17-mc-00078-JSM-MAP) and of the Southern District of Florida (Case No. I: 15-cv-170). Ell Jay Lindsey subsequently filed for bankruptcy, and DSI’s



claims were finally resolved by an order dated September 27, 2022 and rendered in connection with the bankruptcy proceeding.

Other than these actions, no litigation is required to be disclosed in this disclosure document.

Item 4  
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

Item 5  
INITIAL FEES

All franchisees pay a non-refundable Initial Franchise Fee of \$10,000 in one lump sum upon signing the Franchise Agreement. There is no additional fee for the first 500 Labels and our Software.

Item 6  
OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
<b>Royalty and Continuing Service</b>	The greater of (a) \$100 per Dealer Lot, or (b) the combined Label Fees, Clipping Fees and Photo Production Fees for a given month	Payable monthly upon receipt of invoice	The monthly Royalty and Continuing Service Fee (the “ <b>Royalty Fee</b> ”) is the greater of (a) one hundred dollars (\$100) per Dealer Lot, or (b) total Label Fees, Advertising Fees, Clipping Fees and Photo Production Fees.
<b>Advertising Fee</b>	3¢ per unique VIN uploaded and processed	Payable monthly upon receipt of invoice	Per unique VIN uploaded and processed each month. DSI will include the advertising fee on the invoice for Royalty Fees.
<b>Label Fee</b>	83¢ per unique vehicle identification number (VIN) uploaded and processed	Payable monthly upon receipt of invoice	This fee covers the submission and processing of VINs for vehicles serviced.
<b>Clipping Fee</b>	65¢ per clipping	Payable monthly upon receipt of invoice	This fee covers a clipping of a photo from a source and dropping it into a different source for a dealership. This is an optional service.
<b>Photo Production Fee</b>	\$1.75 per vehicle for a customary number of Photos for	Payable monthly upon receipt of invoice	This fee covers the cost of publishing, processing and hosting your pictures and/or high-resolution photographs

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
	syndication, not to exceed 35 Photos		
<b>Territory Expansion</b>	\$500	Upon completion of addendum	To cover expense of research and processing addendum.
<b>Transfer</b>	\$5,000/\$100	Upon transfer	To cover expense of training transferee and costs of completing the transfer. This fee may be reduced to \$2,000 if no one must be trained (as determined by us in our sole discretion). \$100 fee applies to name changes and transfers to wholly owned entities.
<b>Inspection</b>	5% of understated balance	As incurred	Payable only in the event that an inspection discloses an understatement of Labels by more than 5%.
<b>Additional Training</b>	\$1,000	As incurred	The cost of training two people is included in the Initial Franchise Fee. However, if initial training is required for replacement managers, this fee will cover the cost of such training.
<b>Interest</b>	1.5% per month	As incurred	Payable on all unpaid amounts.
<b>Operations Manual</b>	\$250/\$25	As Incurred	Payable only to replace an Operations Manual - \$250; for an additional one - \$25
<b>Insurance</b>	Cost of required policies	As incurred	Payable only if you fail to obtain and maintain insurance coverage as required by the Franchise Agreement.
<b>Administrative Fee</b>	\$75	As incurred	Payable to send replacement Operations Manuals, Franchise Agreements, disclosure documents or other materials that you lose, misplace or that are damaged.
<b>Non-Participation</b>	\$1,000-\$3,000	As incurred	We set-off from amounts due you if you do not participate in our mandatory training, designated meetings and/or OEM programs.

**NOTES:**

- (1) We impose all fees contained in this table and they are payable to us either directly or through our designees.

- (2) The fees in this table are non-refundable. However, some of your pre-paid fees may be refunded where appropriate.
- (3) Pursuant to the Franchise Agreement, all fees are subject to change from time to time.
- (4) The \$100 minimum payment per Dealer Lot (if greater than the total monthly Label Fees) serves as a minimum Royalty Fee payment. This minimum payment is in lieu of an annual Label quota.
- (5) If you do not attend mandatory training, designated meetings and/or OEM programs during any calendar year or 12-month period, we may charge you:

\$1,000	1 <sup>st</sup> time
\$2,000	2 <sup>nd</sup> time
\$3,000	3 <sup>rd</sup> and subsequent

We may also terminate the Franchise Agreement if you do not participate three or more times.

- (6) We may set-off any fee you owe us against any compensation we owe you.
- (7) A “**Dealer Lot**” is a single-address location of a licensed motor vehicle dealership that is under contract with you.

Item 7  
ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT**

TYPE OF EXPENDITURE <sup>1,2</sup>	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
<b>Initial Franchise Fee<sup>7</sup></b>	\$10,000	Cash, certified check	Upon signing of your Franchise Agreement	Franchisor
<b>Travel and Living Expenses While Training<sup>4</sup></b>	\$200 to \$1500 /person	As incurred	As incurred during training	Airlines, gasoline stations, restaurants (We provide hotel)
<b>Computer, Tablets, Camera, Laser Printer<sup>5</sup></b>	\$3,000 to \$5,000 /person	As incurred	Upon delivery	Affiliate and / or other computer dealer if hardware is not purchased from our affiliate.
<b>Signs</b>	\$100 to \$200	As incurred	As incurred	Retail sign company
<b>Misc. Opening Costs<sup>6</sup></b>	\$1,000 to \$20,000	As incurred	As incurred	Data, Internet and Telephone Service, Company Car

<b>TYPE OF EXPENDITURE<sup>1,2</sup></b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
<b>Insurance</b>	\$1,500 to \$3,000	As incurred	As incurred	Insurance company
<b>Advertising -3 mos.</b>	\$100 to \$200	As incurred	C.O.D. with paper delivery	Franchisor - advertising fees and local media if you decide to advertise locally.
<b>Additional Funds - 3 mos.<sup>8</sup></b>	\$1,500 to \$5,000	As incurred	As incurred	Employees, suppliers, which may include affiliates
<b>TOTAL<sup>3,9</sup></b>	<b>\$17,900 to \$44,900</b>			

**NOTES:**

1. The fees in this Table are NON-REFUNDABLE.
2. We do not offer direct or indirect financing to you for any items.
3. This estimates your initial startup expenses. 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: your experience and business acumen; local economic conditions; the local market for our product; competition; and the sales level reached during the initial period.
4. We relied on an estimated 35¢ per mile driving expense for a franchisee living in Ohio to the maximum cost of a domestic round trip airplane ticket; and a \$40 daily food allowance to determine the cost of Travel and Living Expenses during training. The cost of travel and expenses while training will vary depending on whether one or two persons attend training; whether you drive or fly; how far in advance you book plane ticket; cost of meals, etc.
5. The cost of equipment was estimated based on the Affiliate's current price list - this figure included the required equipment plus an \$800 allowance for extra equipment the franchisee may purchase. The costs for signs and miscellaneous opening costs were determined by the market cost for signs, telephones and new vehicles. Finally, advertising and additional funds is based upon the cost an average franchisee in the Business had expended in their first three months of operations. Review these figures carefully with a business advisor before making any decision to purchase the franchise.
6. The miscellaneous opening costs vary greatly because although there is no location needed, for mobile operations you will need a phone and vehicle. We do not require you to purchase a separate phone or vehicle; you can use ones you already own. Vehicle signs or logos identifying you as a Dealer Specialties<sup>®</sup> franchise while operating the Business are required. It is at your own discretion that you purchase a separate vehicle and phone for the franchise and the cost range includes cost of a new vehicle. Included in these costs is an estimated \$20/month for an Internet account.

7. The Initial Franchise Fee includes an opening inventory of 500 Labels.
8. This estimates your initial start-up expenses for your first three months of business, and it is based on our experience with current franchisees. These expenses may include business licenses, payroll costs, utility deposits, legal fees, accounting fees, business taxes and other taxes. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs may depend on factors such as your management skill, local economic conditions, prevailing wage rates, and competition.
9. The Totals reflect the range of the minimum initial investment with one person attending training to the maximum initial investment with travel and living expenses for training doubled to accommodate the two persons' training that is included in the Initial Franchise Fee.

#### Item 8

### RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

#### **Purchase Restrictions**

You must purchase all products, services, supplies, and materials required for operation of the Business from manufacturers, suppliers, or distributors designated by us, which may be us or our affiliates, or from other such suppliers who meet all of our specifications and standards.

#### **Purchases from Us or our Affiliates**

The purchase of Label paper represents none of your expenses in the establishment of your Business and approximately .05% of your expenses in operating your Business. The purchase of photo production, publishing and hosting services represents none of your expenses in the establishment of your business and about 8% of your operating expenses. In the period ending December 31, 2022, DSI and affiliates had revenues of \$1,299,694 from labels, equipment and services to franchisees, out of total revenues of \$1,931,196 or 67% of its total revenues.

#### **Approved Suppliers**

You must purchase some products from suppliers we approve, including our affiliates. We will notify you in our Operations Manual or other communications of the names of approved suppliers and changes to them. The cost of the products from approved suppliers represents 10% to 30% of the cost to establish the Business and 10% to 20% of the total operating expenses. Neither we nor our affiliates have any purchase arrangements with suppliers. Neither we nor our affiliates negotiate purchase agreements with suppliers for the benefit of our franchisees. We currently do not receive rebates, discounts or other compensation from approved suppliers based on their sales of products or services to you, but we reserve the right to earn such compensation in the future.

#### **Specifications and Standards**

You must operate your Business according to our system standards as described in our Operations Manual for the DSI franchise system (the “**Operations Manual**”). These system standards may impose requirements relating to the quality, composition, finish, appearance and service at your Business.

**Changes to Suppliers**

Before purchasing supplies from manufacturers, suppliers or distributors other than those designated by us, you must submit a written request of “Notice of Intended Change of Supplier.” They will be evaluated based on whether they meet all of our specifications and standards as to quality, composition, finish, appearance, and service, and whether they adequately demonstrate their capacity and facilities to supply your needs in the quantities at the times, and with the reliability necessary to sustain an efficient operation. We have 180 days to respond with a “Notice of Objection.” Approval of an alternate supplier will not be unreasonably withheld.

**Software**

We have the exclusive right to license your use of our Software. The cost of the Software is included in the Initial Franchise Fee. We will provide you with updates to our Software when they are made on the same terms as we do for other franchisees.

**Computer Equipment**

You must purchase your computer equipment in accordance with our specifications (see Item 11). We do not provide you with any maintenance or support of the computer equipment.

Item 9  
FRANCHISEE’S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site Selection and Acquisition/Lease	Not applicable	Not applicable
b. Pre-Opening Purchases/Leases	Not applicable	7
c. Site Development and Other Pre-Opening Requirements	III	7
d. Initial and Ongoing Training	III	11
e. Opening	III	7, 11
f. Fees	I, IV, V, IX, XVI	5, 6
g. Compliance With Standards and Policies/Operations Manual	V, VII , VIII	11
h. Trademarks and Proprietary Information	II, V	13,14
i. Restrictions on Products/Services Offered	V, VII, VIII	16

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
j. Warranty and Customer Service Requirements	Not applicable	Not applicable
k. Territorial Development and Sales Quotas	Not applicable	12
l. Ongoing Product/Service Purchases	VII	8
m. Maintenance, Appearance and Remodeling Requirements	Not applicable	Not applicable
n. Insurance	X	7
o. Advertising	IV	7, 11
p. Indemnification	XXII	Not applicable
q. Owner's Participation/Management/Staffing	III, XII	15
r. Records and Reports	VI	6
s. Inspections and Audits	VI, IX	6
t. Transfer	XVI, XVII, XVIII, XIX	17
u. Renewal	XI	17
v. Post-Termination Obligations	XIV	15, 17
w. Non-Competition Covenants	XII	15, 17
x. Dispute Resolution	XXVII, XXVIII	17

Item 10  
FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any note, lease or obligation of yours, has any practice or intent to sell, assign or discount to a third party all or part of any financing arrangement of yours, or receives any direct or indirect payments or other consideration from any person for the placement of financing with the lender.

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

**Except as listed below, we are not required to provide you with any assistance:**

**Pre-Opening Obligations.** Before you open your Business, we will:

Provide you with five-hundred (500) Labels from our affiliate. (Franchise Agreement, Paragraph I.E.)

Provide you with access to the Operations Manual either electronically or in hard copy. (Franchise Agreement, Paragraph III.E.)

Provide training to you and one other person. (Franchise Agreement, Paragraph III.A.)

License to you the Software. (Franchise Agreement, Paragraph II.H. and I.)

**Post-Opening Obligations** During the operation of your Business, we will:

License to you the Software and make available all improvements and additions to the Business, on the same terms as they are made available to all franchisees. (Franchise Agreement, Paragraph III.A.)

Provide you with either a hard copy or online access to the Operations Manual which contains mandatory and suggested specifications, standards and procedures. (Franchise Agreement, Paragraph III.E.) This Operations Manual is confidential and remains our property. We may modify this Operations Manual at our discretion, but the modifications will not alter your status and rights under the Franchise Agreement. If you have a paper version of the Operations Manual, or online access to the same, you must terminate your online access and/or return the paper copy of the Operations Manual on termination of the franchise. The Operations Manual's Table of Contents is contained in Exhibit B.

Provide you with improvements and additions as they become available in the same manner and extent as we do for franchisees generally. (Franchise Agreement, Paragraph III.C.)

Provide continuing advice, but without an obligation to do so. (Franchise Agreement, Paragraphs III.C.)

We maintain a toll-free support number for technical assistance. Anyone who has completed the training course may use the technical support number regarding our Software, or general customer service questions. The support number will be available Monday through Friday from 7:00 a.m. to 9:00 p.m. E.S.T., Saturdays from 8:00 a.m to 5:00 p.m. E.S.T., and Sundays from 12:00 p.m. to 5:00 p.m. E.S.T. with the exception of holidays, which may be amended from time to time at the franchisor's discretion and will be published to you via electronic mail. Technical assistance as described herein is also available to you via electronic mail at [support@dealerspecialties.com](mailto:support@dealerspecialties.com).

## **Training**

When you initially sign the Franchise Agreement and become a new franchisee for the first time we will train you and one other person at our headquarters in Monroe, Ohio. You must sign the Franchise Agreement before training begins on the first day of class. We may refuse applicants at any time up to this point. The two persons attending training must complete the training program to our satisfaction. The cost of training and hotel accommodations for two are included in the Initial Franchise Fee. You must pay all other costs of training, including meals, transportation and compensation. If you would like more than you and one other to be trained, you must pay the full cost of the training for the additional people. The current cost of the training course is \$1,500. We will contact you to schedule the initial training.

Once you have successfully completed the initial training program, you will not be required to attend any further initial training. If we decide to add additional products or services, you will have a 30-day period to elect to offer these to your customers. If additional training is required in



connection with these additional products or services, it will be done through written training materials, such as Product Release Documents (“PRD”), and/or web-based training sessions. If initial training is required for replacement managers, you shall pay the full expense incurred for their training. You are responsible for all travel, living and lodging expenses you or your personnel incur for any training other than the initial training.

As of our most recent fiscal year end, we provided the following initial training:

**TRAINING TABLE**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Introduction & Our History	45 Minutes	-0-	Monroe, Ohio
Laptop and/or Tablet Orientation	1 Hour	-0-	Monroe, Ohio
File Management	1 Hour	-0-	Monroe, Ohio
Software Setup	1 Hour	-0-	Monroe, Ohio
Software Menus and Defaults	1 Hour	-0-	Monroe, Ohio
Graphic Capabilities of Software	3.5 Hours	-0-	Monroe, Ohio
Lot Data Entry	3 Hours	-0-	Monroe, Ohio
Setting up New Customer	2 Hours	-0-	Monroe, Ohio
Entering in Vehicles to the System	2 Hours	-0-	Monroe, Ohio
Inventory	45 Minutes	-0-	Monroe, Ohio
Using Printers	1 Hour	-0-	Monroe, Ohio
Photos	2 Hours	-0-	Monroe, Ohio
Uploading and Downloading Files	1 Hour	-0-	Monroe, Ohio
Backups	2 Hours	-0-	Monroe, Ohio
User Preferences	1 Hour	-0-	Monroe, Ohio
PhotoLink	2 Hours	-0-	Monroe, Ohio
Web Based Product Introduction & Services	4.5 Hours	-0-	Monroe, Ohio
Package Editor	30 Minutes	-0-	Monroe, Ohio
Web Portal	1 Hour	-0-	Monroe, Ohio
Review & Q & A	4 Hours	-0-	Monroe, Ohio
<b>Total</b>	<b>35.0 Hours</b>	<b>-0-</b>	

The materials used in training include the manuals as well as other presentation materials, including handouts. Training is supervised by the appropriate manager for a specific area of the Business. All managers assigned to conduct training have no less than one year of experience in their respective role with DSI.

**NOTES:**

10. The sessions currently run Monday to Friday, but we may change the schedule. Monday to Friday classes begin at 8:00 a.m. and end at 5:00 p.m.

11. Although there is no on-the-job training, our instructor(s) incorporates practice sessions into the training, so you receive practical training in generating photographs and creating Labels.

12. Training materials include, among other things, the confidential Operations Manual, FTC warranty information, sample inventory, and your laptop computer. (Franchise Agreement, Paragraph III)

### **Time to Opening**

Typically, the franchise should be operational within two months after you sign the Franchise Agreement or your first payment of consideration. Equipment is available for purchase immediately, and the main factor affecting the opening is the completion of the training. You may start contacting clients before attending training, but Labels cannot be produced or applied before training is completed.

### **Advertising Cooperatives**

We will not require franchisee cooperatives to be formed, changed or dissolved.

### **Advertising**

We will provide an advertising program with the advertising fees collected from franchisees. (Franchise Agreement, Paragraph IV.B.) The advertising may be disseminated through print, radio or television ads, internet ads, or through participation in trade shows at our discretion. The media coverage will be primarily regional or national in scope, but may include local advertising. We are not required to advertise locally for you. We may appoint any advertising agency, whether in-house or outside, as we deem appropriate for the placement of such advertising. (Franchise Agreement, Paragraph IV.B.)

Franchisees are not required to advertise locally, but may at their own expense. You are not required to spend a specific amount on advertising in any specific territory. If you decide to advertise, you may use your own local advertising and sales promotional materials, but we must approve them prior to use. Materials are considered approved if you do not receive an oral or written objection within 15 days from the date we receive the material. (Franchise Agreement, Paragraph IV.C.)

We are not required to contribute to the national advertising fund and currently there are no company-owned businesses that contribute. We do not receive payment for providing goods and services to the advertising fund. All franchisees must contribute to the advertising fund at the same rate as described in Item 6 of this disclosure document under the heading "Advertising Fees and Expenses". We shall administer the fund and all contributions shall be kept separate from our general fund. (Franchise Agreement, Paragraph IV.B.) The advertising fund may be used to meet any and all costs of maintaining, directing and preparing national, regional or local advertising, promotional goods and public relations activities. DSI and its Affiliate or their employees may be reimbursed for providing advertising goods or services out of the national advertising fund.

This fund will be audited at our discretion. Financial statements of the fund will be available for review once annually upon your written request at the end of each fiscal year. If the franchisee contributions are not entirely spent in any given year, those contributions will roll-over and remain in the national advertising fund. (Franchise Agreement, Paragraph IV)

During the fiscal year 2021, the national advertising fund spent the following percentages of its receipts on the following categories of advertising expenses:

<b>Category</b>	<b>Percentage</b>
Production	0%
Media Placement	100%
Administrative	0%
Other*	0%
<b>Total</b>	<b>100%</b>

### **RapidLot™**

#### Required Hardware

Samsung Galaxy Tab Active Pro (must be purchased from franchisor)  
128 GB mini-SD card  
Portable mini router

#### Approved Printer Hardware (required):

HP Laser Jet 3001dw

HP Laser Jet Pro m402n (or any series of 402)  
HP Laser Jet Pro m404n (or any series of 404)  
Brother HL-5100  
Brother HL-6200DW  
Brother HL-L6400DW

### **AutoStik™ for Windows**

*AutoStik for Windows is no longer available for new installations.*

We strongly encourage use of our cloud-based Software on the IBM® Lenovo Thinkpad laptop computers for use with RapidLot's desktop interface. Compatible hardware may be substituted, but we cannot guarantee you will achieve the same quality results.

The Samsung Galaxy Tab Active Pro and laptop computer is used to run the Software and input the necessary data and photographs. The laser printer is used primarily to print Labels of a superior print quality. You also specifically acknowledge and agree that: (i) we are and shall be the sole and exclusive owner of any and all information and data that you produce in the conduct of your franchise business, as well as all vehicle information transactions (including all information and data contained within or otherwise generated in connection therewith) that are

completed under the Franchise Agreement, in each and every case including but not limited to all vehicle descriptions, data fields, photos, images, videos and any and all other vehicle-related data (collectively, “**DSI Data**”); (ii) we may use such DSI Data for any lawful purpose, including, without limitation, (x) licensing, distributing and otherwise providing the DSI Data to our affiliates and to our other customers, licensees and business partners and/or (y) refining, supplementing, modifying, updating and testing the products and services offered through the DSI Business, and we shall be the sole and exclusive owner of any resulting improvements, refinements, supplements, modifications or updates derived from or associated with the DSI Data, all of which may be used and disclosed by DSI for the benefit of DSI, our affiliates and our other customers, licensors, licensees and business partners; and (iii) you shall have no ownership rights or claims, or any other rights of any kind, in or to the DSI Data. (Franchise Agreement, II.J.)

We are the exclusive licensing agent for our Software. We are obligated to provide you with free updates and upgrades as they are made available to all other franchisees. We have the right to upgrade and update the DSI franchise system at our discretion and you are obligated to use the DSI franchise system as we direct. (Franchise Agreement, VIII, A.)

As previously stated, you must purchase the Samsung Galaxy Tab Active Pro for use with the our Software, but may substitute any laptop with equivalent technical specifications for the Lenovo laptop. The IBM® Lenovo Thinkpad X series models (X270/T480s/T490s) are recommended as our cloud-based Software was designed for use and tested on these models and we cannot guarantee comparable software performance on any other model. The Software requires Google’s Chrome browser (Version 106.0.5249.119 or above) and a sufficient internet connection. Additionally, you are required to purchase and utilize one of the approved printers listed herein.

## Item 12 TERRITORY

You will not receive an exclusive territory. You may face competition from other franchises, from outlets that we may own, or from other channels of distribution or competitive brands that we control.

You will be granted a **NON-EXCLUSIVE**, geographically defined territory (the “**Territory**”). There is no guaranteed minimum size of a franchise territory. We may establish other franchised or company owned Businesses that may compete with you. We or an affiliate may use other channels of distribution such as the internet, direct sales, telemarketing or other direct marketing, to make sales within your Territory. No compensation will be paid to you if an affiliate solicits and accepts orders within your territory.

When contacted independently by a potential client within your **NON-EXCLUSIVE** territory, we will refer all orders to either you or another franchisee in the same geographic area. Where we deem necessary, we (or one of our affiliates) may solicit orders within your **NON-EXCLUSIVE** territory and once again refer these to either you or another franchisee in the same geographic area. All referrals are at our discretion and we are not required to solicit customers for you, nor refer customers to you.

You must operate within this Territory and you are restricted from soliciting or accepting orders from outside the Territory (Franchise Agreement Section I.D.). Once we have assigned you a **NON-EXCLUSIVE** Territory, it is not modified unless we decide you are not actively marketing, selling and performing services to dealers throughout your Territory. If we so decide, we may modify the Territory by removing the geographic area in which you are not active from your Territory and you will no longer have the right to market, sell or perform Dealer Specialties® services in the removed geographic area.

Because the Business relies upon remotely operated units as opposed to an office location, it is not possible to obtain more than one franchise in a given territory. However, you have the right to apply for additional territories in contiguous areas. We have the discretion whether to sell you additional territories. Our approval is based upon several factors, such as whether you are in compliance with all obligations under the existing franchise agreement, your performance level, and the number of franchisees already operating in contiguous territories. Additional franchises in non-contiguous territories require execution of a then-current franchise agreement; an additional franchise fee; and the purchase of additional equipment to properly serve the customers.

If we determine that you are not actively and continuously marketing and selling to, and performing services for, automobile dealers in your Territory for a period of six months or more, then we may terminate the franchise. You will not be entitled to any refunds or reimbursement if we do so.

We have the right to develop a Corporate Accounts program. A “**Corporate Account**” is a customer or a group of customers that operate under common ownership or control, through independent or related dealerships, manufacturers, organizations, systems, distribution networks, governmental units or some other association. We will arrange to provide photography services, Labels to a Corporate Account at multiple locations for special pricing structures. If we develop a Corporate Account in your Territory, you will use commercially reasonable best efforts to sell, offer, market or advertise photography, Labels on the terms we specify for that Corporate Account. A Corporate Account may decide not to do business with you. In that event, we will cooperate with you to resolve any dispute with the Corporate Account. If the dispute cannot be resolved, we may restrict you from participating in any other Corporate Account programs.

You may use the internet to advertise our DSI website only in compliance with the Franchise Agreement. Otherwise, you may not use the internet to advertise or sell products or services. You also may not engage in catalog sales either through the Internet, direct mail or otherwise.

In 2008, we began selling and distributing software that enables customers to perform many of the same services that you perform for automobile dealers. We may allow you, at our sole discretion, to offer and sell this software product within your Territory to your customers. However, we are not restricted in any way as to whom we may market and sell the software product. Accordingly, you and we may compete with each other with respect to the sale of the software product to automobile dealers in your Territory.

We do not generally grant options, rights of first refusal or similar rights to acquire additional franchises, as each franchise is awarded on a franchise-by-franchise basis. Accordingly, you may only acquire additional franchises from us if you meet our qualifications at the time you apply. And we may limit the number of franchises you may own. You may only relocate your franchise with our approval. We apply the same considerations for evaluating relocation of a franchise into another territory as we do for granting a franchise for a particular territory.

Item 13  
TRADEMARKS

**Primary Trademarks**

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating the Business. The primary trademarks we use are “DEALER SPECIALTIES®” and “GET AUTO®.” We also use, and authorize you to use, certain other names, marks, logos, symbols and associated designs and trade dress. We own the primary trademarks. Both the GET AUTO® and DEALER SPECIALTIES® marks are registered on the Principal Register of the United States Patent and Trademark Office (the “PTO”) as follows:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
GET AUTO®	2,061,540	May 13, 1997
DEALER SPECIALTIES®	2,915,606	January 4, 2005

We have filed all necessary affidavits for these registrations.

There are no agreements currently in effect which significantly limit our rights to use or license the use of our Marks in a manner material to the franchise. Currently, there are no effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation, including the principal trademarks.

**Use of the Marks**

You must use all names and marks in full compliance with our rules. You are prohibited from using the name “Dealer Specialties®” as part of any corporate name. Upon termination of the franchise relationship, or if there is a determination by the PTO, Trademark Trial and Appeal Board, the trademark administrator of this state or any court, that any of the marks being used in the Business are invalid, you must discontinue use of such mark or marks.

**Infringements**

In the event of any infringement of, or challenge to our use of any name or mark, you are obligated to immediately notify us and we shall decide whether to take such action as we deem appropriate.

We do not know of any infringing uses that could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols in this state or any other state in which the franchise Business is to be located.

### **Changes to the Marks**

If it becomes advisable at any time for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within 90 days after receiving notice. We will reimburse you for reasonable out-of-pocket, verifiable costs you incur in changing signage in the manner required by us. We will not be required to reimburse you for costs you incur in converting to the replacement mark or changing directory listings.

Other than as described above, we do not actually know of either superior prior rights or infringing uses that could materially affect your use of our principal trademarks in any state.

### **Indemnification**

We will indemnify, defend and hold you harmless with respect to all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of our trademarks, pursuant to and in compliance with the Franchise Agreement and the Operations Manual, to the extent resulting from claims by third parties that your authorized use of any of our trademarks, pursuant to and in compliance with the Franchise Agreement and the Operations Manual, infringes their trademark rights, and for all costs you reasonably incur in the defense of such claim in which you are named as a party, so long as you have timely notified us of the claim and have otherwise complied with the Franchise Agreement. Notwithstanding the foregoing, we will not indemnify you against the consequences of your use of our trademarks if such use was not in accordance with all requirements of the Franchise Agreement and the Operations Manual. You must provide written notice to us of any infringement claim within ten days of your receipt of notice of such claim and you must tender the defense of the claim to us. We will have the right to defend any such claim and, if we do so, we will have no obligation to further indemnify or reimburse you for any fees or disbursements of any attorney retained by you. If we defend the claim, we will have the exclusive right to manage the defense of the claim, including but not limited to, the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal final determination of the claim. In that connection, you agree to sign all documents and do such acts and things as we reasonably deem necessary to carry out such defense, prosecution or settlement.

#### Item 14

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents that are material to the franchise.

We hold copyright registrations from the United States Registrar of Copyrights (the “Registrar”) for both our Windows-based and DOS versions of our AutoStik™ and/or RapidLot™ software program as follows:

TYPE	REGISTRATION NUMBER	REGISTRATION DATE
DOS	TX3-484-966	February 16, 1993
Windows	TX5-788-110	July 31, 2003

We intend to renew these copyrights. Item 11 describes our software program and the manner in which you are permitted to use it.

We claim copyrights to our Operations Manual, Product Release Documents, software manuals, training manuals, sales promotional aids, business forms, accounting procedures, marketing reports, and informational bulletins as related items used in the operation of the Business. These copyrights have not been registered with the Registrar.

Our right to use or license these copyrighted items and proprietary material is not materially limited by any agreement, nor are we currently aware of any infringing uses.

You must notify us immediately if you learn about any infringement or challenge to our use of these copyrights or proprietary information. We will take action as we deem it appropriate. You must also agree not to contest, or aid in contesting our interest, either directly or indirectly, in any copyrighted items, trade secrets or proprietary information.

We will decide whether to defend or prosecute any claims connected with the proprietary information or copyrighted materials.

If we decide to add, modify or discontinue the use of an item or process covered by copyright or proprietary interest, you must also do so.

Item 15  
OBLIGATION TO PARTICIPATE IN THE  
ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We allow absentee ownership; therefore you do not have to supervise the “on-premises” operations. We do not endorse or recommend “on-premises” supervision, nor the alternative as a preferable way to operate your franchise. However, you, your supervisor, or anyone who will participate in resolving technical problems must attend training because technical support is provided only to trained individuals. The initial Franchise Fee includes training for two persons.

During the term of the Franchise Agreement and for two years thereafter, you may not directly or indirectly own, maintain, engage in, or participate in the operation of another directly competing business or employ anyone who participates in a competing business. You shall not communicate or divulge any information or knowledge concerning the manufacture, distribution, preparation, promotion, or sale of products or services used in the franchised Business, nor shall you disclose any trade secrets, including our Software. Further, all of your employees must sign a confidentiality and noncompetition agreement, which prohibits them from ever revealing confidential information and trade secrets or competing against your franchise during their employment or for two years after their employment terminates.



There is no limitation on whom you can hire as an on-premises supervisor, as long as you adhere to the provisions of this paragraph in hiring your staff.

#### Item 16

#### RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will at all times dispense, sell or offer for sale to the public, only such articles, services or other products as shall meet the reasonable specifications and standards from time to time as we designate in writing. You are prohibited from offering any goods or services under the Business other than those expressly defined by DSI, or operating in such a manner that others cannot distinguish those services offered as part of this franchise from other goods and services you offer.

We have the right to add additional authorized services that you are required to offer, and there are no limits on our right to make such changes. The Dealer Specialties® System and Business are comprised of all products and services that we make available for you to market and sell. However, the Dealer Specialties® System does not include activities that do **not** involve either the marketing and sale of products and services to vehicle dealers, nor the compilation, publication, assembly, distribution, and dissemination of data concerning vehicles, including development or hosting websites, or engaging in internet advertising or marketing services, offering information on vehicles for sale by dealers (“**Vehicle Data Distribution**”). Currently, Businesses offer vehicle photography, window labeling, window stickers and Vehicle Data Distribution. Although you are restricted in offering competitive products and services, we do authorize you to market and sell tangible products to vehicle dealers (i.e., floor mats, air fresheners, business forms, etc.).

We also authorize you to use our Software, on behalf of dealer customers, to assemble vehicle data to create advertisements and publish vehicle photos and vehicle information to a dealer customer’s designated websites and/or third party vehicle merchandising sites (“**Online Ads**”). However, we do not authorize you to use any other software to do so. We may develop our own software or specify other software to create Online Ads. You may only use such software as we specify or authorize, and will only utilize vehicle information assembled with the AutoStik™ and/or RapidLot™ software, or their replacement as designated by us, in activities involving Online Ads.

#### Item 17

#### RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

#### **THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

PROVISIONS	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	XI	5 years from date of execution of Franchise Agreement.
b. Renewal or extension of the term	XI	If you have performed all obligations under the original Franchise Agreement, given us proper notice, and execute a general release, you can renew the franchise for an additional term of not less than 5 years.
c. Requirements for the franchisee to renew or extend	XI	<p>Your renewal right permits you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of Franchise Agreement, which may be materially different than the form attached to this disclosure document.</p> <p>Other conditions are: You must send written notice of intent to renew at least 180 days before your Franchise Agreement is to expire and execute a general release.</p>
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without “cause”	Not applicable	Not applicable
f. Termination by franchisor with “cause”	XIII, XVII	If you do not cure a default within ten days of “Notice To Cure,” we can terminate your franchise immediately.
g. “Cause” defined – curable defaults	XIII.B.	Any default shall be curable within ten days of “Notice to Cure,” unless it occurs within 12 months of a prior default and receipt of “Notice to Cure.” We also may terminate the franchise if you are not active by operating it for six months or more or if you do not attend any of our events in any three calendar years or over any three 12-month periods.

PROVISIONS	SECTION IN AGREEMENT	SUMMARY
h. "Cause" defined – non-curable defaults	XIII.A.	If you are insolvent, involved in a Bankruptcy proceeding or make an assignment on behalf of a creditor; or a lien is placed on your property, if you are in default within 12 months of a prior default, or failure to apply for permission to continue to operate or transfer by heirs or other partners, shareholders, members within 90 days of date of death, the Franchise Agreement terminates automatically, without notice to you. The provisions in the Franchise Agreement which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).
i. Franchisee's obligations on termination / non-renewal	XII, XIV	You must not compete directly or indirectly with us for two years following termination/non-renewal, nor ever divulge trade secrets. You shall immediately cease operation of the Business, cease using our Marks (through advertising or in any manner whatsoever) , transfer all telephone numbers and internet domain names, and pay all sums owed us.
j. Assignment of contract by franchisor	XVI.A.	We may freely assign the Franchise Agreement, and you will be obligated to the successor or assignee in same manner as you are to us.
k. "Transfer" by franchisee – defined	XVI.B.	Transfer includes selling, assigning, conveying, giving away, transferring or encumbering to another person or business entity.
l. Franchisor's approval of transfer by franchisee	XVI.B.	Our prior written consent is required and will not be unreasonably withheld, and you must execute a general release.

PROVISIONS	SECTION IN AGREEMENT	SUMMARY
m. Conditions for franchisor's approval of transfer	XVI.B.	Consent shall not be unreasonably withheld if you organize a business entity for the Business and are its principal; a transfer fee of \$100 will apply. For other transfers certain conditions must be satisfied including, without limitation: the transferee is a reputable, competent business person with a good credit rating; the supervisor successfully completes training; transferee executes a then current Franchise Agreement, assignment and other related documents; the term is set for the unexpired term of the existing Franchise Agreement; at our request you must guaranty the transferred obligations to us; you and the transferee have satisfied all obligations to us; and we have received the \$2,500 transfer fee.
n. Franchisor's right of first refusal to acquire franchisee's business	XVIII	If you receive any offer for the purchase of this franchise or any equipment or supplies of a franchise, you must communicate this offer to us and we may elect to match the offer within 14 days of receipt of the offer, otherwise you may sell to the original offeror.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of Franchisee	XVII	Within 90 days of the death of an individual franchisee, or any partner or member or shareholder of a franchisee, the heirs, surviving partners or other members must either apply for the right to continue or properly transfer the franchise. The right to continue or approval of a transfer shall not be unreasonably withheld.
q. Non-competition covenants during the term of the franchise	XII.A. and B.	You shall not participate nor have any interest in a competing business or a business competitive with any products or services offered by DSI to you for resale to customers. Nor shall you divert or attempt to divert business from DSI, or take employees from other franchisees.

PROVISIONS	SECTION IN AGREEMENT	SUMMARY
r. Non-competition covenants after the franchise is terminated or expires	XII.B-D	For a period of two years after termination of your franchise, you shall not divert customers or business from DSI, employ or seek to induce franchise employees, nor operate a vehicle photography or labeling business or a business otherwise competing with any products or services offered by DSI to you for resale to customers, or any other franchise territory.
s. Modification of the Agreement	XXVI	No amendments are binding on either party unless signed in writing.
t. Integration/merger clause	XXVI	The Agreement and documents referred to therein shall constitute the entire agreement.
u. Dispute resolution by arbitration or mediation	XXIX	You agree to arbitrate all disputes at the American Arbitration Association office in Cincinnati, Ohio.
v. Choice of forum	Not applicable	Except for certain matters, any litigation must be held in Cincinnati, Ohio.
w. Choice of law	Item 1. A.XXVIII	Ohio

See any state-specific riders or addenda attached to this disclosure document as [Exhibit F](#).

#### Item 18 PUBLIC FIGURES

We do not use any public figures to promote our franchise.

#### Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and 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 this Item 19, for example, by providing information about 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 outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting **Dan Sykes, 150 Granby Street, Norfolk, Virginia 23510, (757) 351-8118**, the FTC and the appropriate state regulatory agencies.

Item 20  
OUTLETS AND FRANCHISEE INFORMATION

<b>Table # 1</b>				
<b>System Wide Outlet Summary</b>				
<b>For the Years 2020 - 2022</b>				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
<b>Franchised</b>	2020	48	47	-1
	2021	47	46	-1
	2022	46	29	-17
<b>Company-Owned</b>	2020	51	51	0
	2021	51	51	0
	2022	51	48	-3
<b>Total Outlets</b>	<b>2020</b>	<b>99</b>	<b>98</b>	<b>-1</b>
	<b>2021</b>	<b>98</b>	<b>97</b>	<b>-1</b>
	<b>2022</b>	<b>97</b>	<b>77</b>	<b>-20</b>

<b>Table # 2</b>		
<b>Franchisees to New Owners (other than to the Franchisor)</b>		
<b>For the Years 2020 – 2022</b>		
State	Year	Number of Transfers
<b>AL</b>	2020	0
	2021	0
	2022	0
<b>AZ</b>	2020	0
	2021	0
	2022	0
<b>CA</b>	2020	0
	2021	0
	2022	0
<b>CO</b>	2020	0
	2021	0

**Table # 2**  
**Franchisees to New Owners (other than to the Franchisor)**  
**For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2022	0
<b>CT</b>	2020	0
	2021	0
	2022	0
<b>DE</b>	2020	0
	2021	0
	2022	0
<b>FL</b>	2020	0
	2021	0
	2022	0
<b>GA</b>	2020	0
	2021	0
	2022	0
<b>HI</b>	2020	0
	2021	0
	2022	0
<b>IL</b>	2020	0
	2021	0
	2022	0
<b>IN</b>	2020	0
	2021	0
	2022	0
<b>KS</b>	2020	0
	2021	0
	2022	0
<b>KY</b>	2020	0
	2021	0
	2022	0
<b>LA</b>	2020	0
	2021	0
	2022	0
<b>MA</b>	2020	0
	2021	0
	2022	0

**Table # 2**  
**Franchisees to New Owners (other than to the Franchisor)**  
**For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>MD</b>	2020	0
	2021	0
	2022	0
<b>MI</b>	2020	0
	2021	0
	2022	0
<b>MN</b>	2020	0
	2021	0
	2022	0
<b>MO</b>	2020	0
	2021	0
	2022	0
<b>NC</b>	2020	0
	2021	0
	2022	0
<b>ND</b>	2020	0
	2021	0
	2022	0
<b>NE</b>	2020	0
	2021	0
	2022	0
<b>NH</b>	2020	0
	2021	0
	2022	0
<b>NJ</b>	2020	0
	2021	0
	2022	0
<b>NM</b>	2020	0
	2021	0
	2022	0
<b>NV</b>	2020	0
	2021	0
	2022	0
<b>NY</b>	2020	0



**Table # 2**  
**Franchisees to New Owners (other than to the Franchisor)**  
**For the Years 2020 – 2022**

State	Year	Number of Transfers
	2021	0
	2022	0
<b>OH</b>	2020	0
	2021	0
	2022	0
<b>OR</b>	2020	0
	2021	0
	2022	0
<b>PA</b>	2020	0
	2021	0
	2022	0
<b>RI</b>	2020	0
	2021	0
	2022	0
<b>SC</b>	2020	0
	2021	0
	2022	0
<b>SD</b>	2020	0
	2021	0
	2022	0
<b>TN</b>	2020	0
	2021	0
	2022	0
<b>TX</b>	2020	0
	2021	0
	2022	0
<b>VA</b>	2020	0
	2021	0
	2022	0
<b>WA</b>	2020	0
	2021	0
	2022	0
<b>WI</b>	2020	0
	2021	0

**Table # 2**  
**Franchisees to New Owners (other than to the Franchisor)**  
**For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
	2022	0
<b>WV</b>	2020	0
	2021	0
	2022	0
<b>Total</b>	<b>2020</b>	<b>0</b>
<b>Total</b>	<b>2021</b>	<b>0</b>
<b>Total</b>	<b>2022</b>	<b>0</b>

**Table # 3**  
**Status of Franchised Outlets**  
**For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations for Other Reasons</b>	<b>Outlets at end of Year</b>
<b>AL</b>	2020	4	0	1	0	0	0	3
	2021	3	0	1	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>AR</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>AZ</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>CA</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>CO</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>CT</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>DE</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0

**Table # 3  
Status of Franchised Outlets  
For the Years 2020 – 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2022	0	0	0	0	0	0	0
<b>FL</b>	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	2	0	0	1
<b>GA</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>HI</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>IA</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>IL</b>	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	1	2	1
<b>IN</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	1
<b>KS</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>KY</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>LA</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>MA</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
<b>MD</b>	2020	0	0	0	0	0	0	0

**Table # 3**  
**Status of Franchised Outlets**  
**For the Years 2020 – 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>ME</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>MI</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
<b>MN</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	1	1	0
<b>MO</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
<b>NC</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>ND</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>NE</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>NH</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>NJ</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>NM</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

**Table # 3  
Status of Franchised Outlets  
For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations for Other Reasons</b>	<b>Outlets at end of Year</b>
<b>NV</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>NY</b>	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	1	2
<b>OH</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	1	0	1
<b>OR</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>PA</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
<b>RI</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>SC</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>SD</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>TN</b>	2020	7	0	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	1	6
<b>TX</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	1	0	0	0
<b>VA</b>	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2

**Table # 3**  
**Status of Franchised Outlets**  
**For the Years 2020 – 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2022	2	0	0	0	1	0	1
<b>VT</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>WA</b>	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
<b>WI</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
<b>WV</b>	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	1	0
<b>Total</b>	2020	<b>48</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47</b>
<b>Total</b>	2021	<b>47</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>
<b>Total</b>	2022	<b>46</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>6</b>	<b>29</b>

**Table # 4**  
**Status of Company Owned Outlets**  
**For the Years 2020 – 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<b>AL</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
<b>AZ</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>CA</b>	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	1	0	2
<b>CO</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>CT</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>DE</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>FL</b>	2020	5	0	0	0	0	5
	2021	5	0	0	0	0	5
	2022	5	0	0	0	0	5
<b>GA</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>HI</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>IL</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>IN</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1

**Table # 4**  
**Status of Company Owned Outlets**  
**For the Years 2020 – 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2022	1	0	0	0	0	1
<b>KS</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>KY</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>LA</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>MA</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>MD</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>MI</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>MN</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	1	0	0	2
<b>MO</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>MS</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>NC</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>ND</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0



**Table # 4**  
**Status of Company Owned Outlets**  
**For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of Year</b>
<b>NE</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>NH</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>NJ</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>NM</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>NV</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>NY</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>OH</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>OK</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>OR</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>PA</b>	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
<b>RI</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>SC</b>	2020	0	0	0	0	0	0

**Table # 4  
Status of Company Owned Outlets  
For the Years 2020 – 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Outlets Reacquired from Franchisees</b>	<b>Outlets Closed</b>	<b>Outlets Sold to Franchisee</b>	<b>Outlets at End of Year</b>
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>SD</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>TN</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>TX</b>	2020	7	0	0	0	0	7
	2021	7	0	0	0	0	7
	2022	7	0	0	2	0	5
<b>UT</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>VA</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
<b>WA</b>	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
<b>WI</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>WV</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
<b>Total</b>	<b>2020</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>
<b>Total</b>	<b>2021</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51</b>
<b>Total</b>	<b>2022</b>	<b>51</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>48</b>

<b>Table # 5</b>			
<b>Projected Openings as of</b>			
<b>December 31, 2022</b>			
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets In the Next Fiscal Year</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The name, business address, and business telephone number of each current franchisee as of April 1, 2023, are listed on Exhibit C.

The name, city and state, and current business telephone number (or, if unknown, the last known home telephone number) of the franchisees who have had their franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who have left the system during the most recently completed fiscal year, or have not communicated with us within ten weeks of April 1, 2023, are listed on Exhibit C.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

As of February 22, 2018, we are not offering any existing franchised outlets to prospective franchisees, including those that either have been reacquired by us or are still being operated by current franchisees pending a transfer. If we begin to offer any such outlet, specific information about the outlet will be provided to you in a separate supplement to this disclosure document.

We have no current or former franchisees who have signed provisions during the last three fiscal years restricting their ability to speak openly to you about their experience with the DSI franchise system.

There are no franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure document.

#### Item 21 FINANCIAL STATEMENTS

Attached as Exhibit D are our audited financial statements for the periods ending December 31, 2020, 2021 and 2022.

#### Item 22 CONTRACTS

The following exhibits and agreements are attached as exhibits to this disclosure document:

- A State Regulatory Authorities and Agents for Service of Process
- B Table of Contents to Confidential Operations Manual
- C List of Franchisees
- D Financial Statements
- E Franchise Agreement including the following Schedules:
  - Schedule One: Personal Guaranty of owner/Shareholder
  - Schedule Two: Additional Franchise Release Agreement
  - Schedule Three: Resale/Renewal Termination By Release
- F Special State Requirements

Item 23  
RECEIPTS

Attached as the last two pages of this disclosure document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us

**EXHIBIT A**

**STATE REGULATORY AUTHORITIES  
AND AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE AGENCIES/AGENTS  
FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>AGENCY</b>	<b>PROCESS, IF ANY</b>
California	Department of Business Oversight 1-866-ASK-CORP (275-2677) <b>Los Angeles</b> 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 <b>Sacramento</b> 1515 K Street, Suite 200 Sacramento, CA 95814-4052 <b>San Diego</b> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 <b>San Francisco</b> 71 Stevenson Street, Suite 2100 San Francisco, CA 94105-2180	
Hawaii	Business Registration Division Securities Compliance Branch Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2727	Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Chief, Franchise Division Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Franchise Bureau Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204	
Maryland	Office of Attorney General Maryland Securities Division 200 St. Paul Place Baltimore, MD 21202-2021	Maryland Securities Commissioner Office of the Attorney General Securities Division 200 St. Paul Place Baltimore Maryland 21202-2021

<b>STATE</b>	<b>AGENCY</b>	<b>PROCESS, IF ANY</b>
Michigan	Office of Attorney General Consumer Franchise Section Attn: Franchise Section 525 W. Ottawa Street Williams Building 6th Floor Lansing, Michigan 48933	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198	
New York	New York State Department of Law Investor Protection Bureau 28 Liberty St., 21 <sup>st</sup> Floor New York, NY 10271 (212) 416-8222	Secretary of State State of New York 1 Commerce Plaza 99 Washington Avenue, Suite 600 Albany, New York 12231
North Dakota	Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, ND 58505-0510 (701) 328-4712	
Oregon	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Division of Securities 233 Richmond Street, Suite 232 Providence, Rhode Island 02903 (401) 222-3048	
South Dakota	Division of Securities 124 South Euclid Suite 104 Pierre, SD 57501 (605) 773-4013	
Virginia	State Corporation Commission 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804) 371-9051	Clerk State Corporation Commission 1300 East Main Street Richmond, VA 23219

<b>STATE</b>	<b>AGENCY</b>	<b>PROCESS, IF ANY</b>
Washington	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	
Wisconsin	Division of Securities Department of Financial Institutions P. O. Box 1768 Madison, Wisconsin 53701	



**EXHIBIT B**

**TABLE OF CONTENTS  
TO CONFIDENTIAL OPERATIONS MANUAL**

## **EXHIBIT B**

### **TABLE OF CONTENTS TO CONFIDENTIAL OPERATIONS MANUAL**

<b>Chapter 1</b>	<b>Introduction</b>	<b>pg. 1</b>	<b>17 pages</b>
<b>Chapter 2</b>	<b>Entering Dealer Information</b>	<b>pg. 19</b>	<b>66 pages</b>
<b>Chapter 3</b>	<b>Entering Vehicle Data</b>	<b>pg. 87</b>	<b>18 pages</b>
<b>Chapter 4</b>	<b>Creating and Using Dealer Groups</b>	<b>pg. 107</b>	<b>4 pages</b>
<b>Chapter 5</b>	<b>Managing a Dealership's Inventory</b>	<b>pg. 111</b>	<b>5 pages</b>
<b>Chapter 6</b>	<b>Configuring Your System</b>	<b>pg. 119</b>	<b>55 pages</b>
<b>Chapter 7</b>	<b>Linking Photos</b>	<b>pg. 175</b>	<b>39 pages</b>
<b>Chapter 8</b>	<b>Printing Labels</b>	<b>pg. 214</b>	<b>8 pages</b>
<b>Chapter 9</b>	<b>Printing Invoices</b>	<b>pg. 229</b>	<b>9 pages</b>
<b>Chapter 10</b>	<b>Running Reports</b>	<b>pg. 239</b>	<b>9 pages</b>

**EXHIBIT C**

**LIST OF FRANCHISEES**

**AND**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

**EXHIBIT C**  
**LIST OF FRANCHISEES**  
**Franchisees as of April 1, 2023**

If you buy this franchise, your contact information may be disclosed to other potential franchisees when you leave the franchise system.

Franchise Name	Address	City	State	Zip	Phone No.
Brian Cummings #221	107 Riverbend Drive	Mobile	AL	36605	(251) 232-5193
Luke and Karri Herndon #74	P.O. Box 8662	Dothan	AL	36304	(334) 685-1873
Mattingly & Assoc; Don Mattingly #199	4 Lester Lane	Vilonia	AR	72173	(501) 796-2084
Raymond Nokland #107	1624 Stargazer Terrace	Sanford	FL	32771	(407) 310-5004
Kendall Brown #230	622 8th Street	Bettendorf	IA	52722	(563) 529-0323
APD Enterprises; Paul D'Angelo #134	P.O. Box 556	Griffith	IL	46319-0556	(219) 781-9164
Jim Huxtable #47	2816 West 82nd Street	Leawood	KS	66206	(816) 392-5531
Daniel Houghton #225	P.O. Box 3211	London	KY	40743	(270) 791-2048
Ryan Fanguy #7	P.O. Box 640441	Kenner	LA	70064	(504) 452-7234
Robert Giglio of Giglio Dealer Services #296	P.O. Box 4300	Shreveport	LA	71134-0300	(318) 393-5679
Loren Gibson #187	3 Birch Ridge Rd	Topsham	ME	04086	(207) 577-1058
Monica O'Connor #92	34965 Wadsworth Street	Livonia	MI	48150	(734) 673-0077
Gerard Engler #179	714 George Street	Traverse City	MI	49686	(231) 935-3110
Dealer Specialties of North Carolina, Inc.; James Miller #173	P.O. Box 1731	Arden	NC	28704	(828) 777-7462
James Randall #116	P.O. Box 92155	Albuquerque	NM	87199	(505) 315-4474
Auto Specialties of Nevada LLC; Travis Blount #294	161 Union Church Road	Jonesborough	TN	37659	(423) 677-9630
Cajo Enterprises, Inc; Grimmer #53	Warehouse Section 3125 Walden Ave	Depew	NY	14043	(585) 300-9729
Dealer Specialties of CNY, Inc; Randy Taylor #87	5080 Constitution Lane	Liverpool	NY	13088	(315) 575-0705
Ryan Stack #220	P.O. Box 8931	Toledo	OH	43623	(419) 699-5426
D-S of South Carolina, Inc.; Gregg Albergotti #83	2420 Slab Landing Road	Orangeburg	SC	29115	(803) 536-2445
Lisa Tyner #20	351 Wolf Lair Cove	Collierville	TN	38017	(901) 861-1085
Carolyn Smith Blount Family Trust, with Trustees Delbert Sandy Blount Jr and	292 Sweetgrass Lane	Jonesborough	TN	37659	(423) 773-6242

Ryan Blount #84 (ATTN: Sandy Blount)					
Carolyn Smith Blount Family Trust, with Trustees Delbert Sandy Blount Jr and Ryan Blount #132 (ATTN: Ryan Blount)	292 Sweetgrass Lane	Jonesborough	TN	37659	(423) 817-2152
Mary A Grazier #36; (ATTN: Brian and Scott)	413 Morton Street	Smyrna	TN	37167	(615) 459-4499
Mary A Grazier #136; (ATTN: Brian and Scott)	413 Morton Street	Smyrna	TN	37167	(615) 459-4499
Auto Specialties of Tennessee LLC; Travis Blount #227	161 Union Church Road	Jonesborough	TN	37659	(423) 677-9630
Robert Broyles #235	142 Rainbow Forest Dr.	Blue Ridge	VA	24064	(540) 353-0449
Jay Bernasconi #232	46 Wildersburg Common	Barre	VT	05641- 9761	(802) 839-8668
Bonnie and David Mead #42	P.O. Box 232 or	Waukesha	WI	53187	(414) 943-3757

**List of franchisees who have had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the year ending 12/31/22 or who have not communicated with the Franchisor as of April 1, 2023.**

Franchise Name	Address	City	State	Zip	Phone No.
Lance Letteri # 201	P.O. Box 4060	Ft. Myers Beach	FL	33932	(941)765-6608
Joseph L. Sabatini #131	15 Foxwood Lane	Northboro	MA	1532	(508)393-7997
Gunnar Wright #195	Rt. 2 Box 5828	Roland	OK	74954	(918)427-5998
Donna Beissel #111	101 Oak Hill Lane	Wyomissing	PA	19610	(610)372-5811
Victor R. Rivera ##73	7104 Majorca	El Paso	TX	79912	(915)581-3848
Scott Nordin #8	P.O. Box 242	Osseo	MN	55369	(763)420-7161
Glenn Holman #161	915 Country Club Drive	Fostoria	OH	44830	(419)435-0602
John Walters #21	8605 Timberland Drive	Wake Forest	NC	27587	(703)623-2301
Luis C. Vargas #71	836 E Rand Road	Arlington Heights	IL	60004	(847)342-0041

Brent & Carol Ellard #15	3288 Forestdale Dr	Newburgh	IN	47630	(812)490-6543
Denita Schwartz #176	38 Towerview Dr.	Hillsboro	MO	63050	(636)479-9210

**EXHIBIT D**

**FINANCIAL STATEMENTS**



**Dealer Specialties International, Inc.**  
**2022 Financial Statements**

**WALL  
EINHORN &  
CHERNITZER**  
— CPAs & ADVISORS —



**Dealer Specialties International, Inc.**  
**Index to Financial Statements**

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	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Balance Sheets	3
Statements of Operations and Retained Earnings	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 12

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Dealer Specialties International, Inc. and  
Board of Directors of Landmark Media Enterprises, LLC  
**Dealer Specialties International, Inc.**  
Norfolk, Virginia

*Opinion*

We have audited the financial statements of **Dealer Specialties International, Inc.** (the Company), a wholly owned Subsidiary of Dealer Specialties, Inc. (the Parent), which is an indirect wholly owned Subsidiary of Dominion Enterprises Group, LLC (DEG), which is a wholly owned Subsidiary of Landmark Media Enterprises, LLC (LME), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Dealer Specialties International, Inc.** as of December 31, 2022 and 2021, and the results of its operations and 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Dealer Specialties International, Inc.** 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.

*Related Party Transactions*

As discussed in Notes 2 and 4 to the financial statements, the Company has had numerous significant transactions with businesses controlled by, and with people who are related to, the officers and directors of the entity. Specifically, substantially all of the operating activities and administrative functions of the Company are performed by the Parent or Dominion. Substantially all of the Company's expenses are also allocated by DSP or DEG. In 2022 and 2021, the costs allocated were fixed monthly fees based on two service agreements. The Company is dependent upon the continuation of this operational, administrative, and financial support and has received commitments from DSP and DEG to continue to provide such support through December 31, 2024. Our opinion is not modified with respect to this matter.

*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 **Dealer Specialties International, Inc.**'s ability to continue as a going concern for one year after the date that the financial statements are issued.



***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dealer Specialties International, Inc.'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 Dealer Specialties International, Inc.'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.

***Other Information Included in the Franchise Disclosure Document (FDD)***

Management is responsible for the other information included in the FDD. The other information comprises Items 1 – 20, 22 – 23, and exhibits included in the FDD, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Norfolk, Virginia  
April 6, 2023

*Wael Einhard Chentz, P.C.*

Dealer Specialties International, Inc.  
Balance Sheets  
December 31, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of \$37,642 in 2022 and \$30,556 in 2021	\$185,529	\$101,945
Due from Parent	315,726	1,092,082
Inventory	22,773	-
Deferred income taxes	225,500	129,013
Total assets	<u>\$749,528</u>	<u>\$1,323,040</u>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	\$42,644	\$41,449
Deferred advertising fees	6,070	20,644
Total liabilities	<u>48,714</u>	<u>62,093</u>
<b>Stockholder's equity</b>		
Common stock, no par value; 750 shares authorized; 100 shares issued and outstanding	30,000	30,000
Retained earnings	670,814	1,230,947
Total stockholder's equity	<u>700,814</u>	<u>1,260,947</u>
Total liabilities and stockholder's equity	<u>\$749,528</u>	<u>\$1,323,040</u>

See independent auditors' report and accompanying notes to the financial statements.

**Dealer Specialties International, Inc.**  
**Statements of Operations and Retained Earnings**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
<b>Revenues</b>		
Royalty fees	\$629,815	\$866,270
Photo production	667,812	872,048
Label sales and other	633,569	490,093
Total revenues	<u>1,931,196</u>	<u>2,228,411</u>
<b>Operating expenses</b>		
Operating supplies and services	626,493	517,969
Selling, general and administrative	2,013,661	2,239,509
Total operating expenses	<u>2,640,154</u>	<u>2,757,478</u>
Loss before income tax benefit	(708,958)	(529,067)
Income tax benefit	<u>(148,825)</u>	<u>(122,322)</u>
Net loss	<u><u>(\$560,133)</u></u>	<u><u>(\$406,745)</u></u>
<b>Retained earnings</b>		
Beginning of year	\$1,230,947	\$1,637,692
Net loss	<u>(560,133)</u>	<u>(406,745)</u>
End of year	<u><u>\$670,814</u></u>	<u><u>\$1,230,947</u></u>

See independent auditors' report and accompanying notes to the financial statements.

**Dealer Specialties International, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Net loss	(\$560,133)	(\$406,745)
Adjustments to reconcile net loss to net cash from operating activities:		
Effect of changes in operating assets and liabilities:		
Accounts receivable, net	(83,584)	51,385
Due from Parent	776,356	476,561
Inventory	(22,773)	-
Deferred income taxes	(96,487)	(122,413)
Accrued expenses	1,195	(8,087)
Deferred advertising fees	(14,574)	9,299
Net cash from operating activities	<u>-</u>	<u>-</u>
Change in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b>Supplemental cash flow information</b>		
Cash paid for income taxes	\$71	\$91

See independent auditors' report and accompanying notes to the financial statements.

**Dealer Specialties International, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**Note 1 – Organization and Nature of Business**

Dealer Specialties International, Inc. (DSII), incorporated in Ohio on May 30, 1995, is a wholly owned subsidiary of Dealer Specialties, Inc. (Parent), which is an indirect wholly owned subsidiary of Dominion Enterprises Group, LLC (DEG), which is a wholly owned subsidiary of Landmark Media Enterprises, LLC. As noted herein, services are provided to DSII by Dealer Specialties, LLC (DSP) and Dominion Enterprises, LLC (Dominion), both of which are indirect wholly owned subsidiaries of DEG. DSII franchises the use of its name, Dealer Specialties, and the use of the Autostik software that was originally developed and is owned and copyrighted by DSP. DSII licenses the right to use the Autostik software to franchisees and stores owned by DSP. Autostik software is used to provide automobile dealers with window stickers or labels for their inventories of used automobiles comparable to that provided by manufacturers on new vehicles. Autostik is in the process of replaced by the RapidLot platform. The RapidLot platform was also developed, owned, and copyrighted by DSP. RapidLot is tablet based and performs the same functions as Autostik with the addition of taking photos.

As of December 31, 2022, there were 30 franchisees and 48 DSP owned stores. As of December 31, 2021, there were 41 franchisees and 51 DSP owned stores.

Each franchisee pays an initial non-refundable fee of \$10,000 upon the execution of a five-year franchisee agreement that grants the franchisee a non-exclusive geographically defined territory with the right to produce and sell vehicle identification labels to new and used automobile dealers. Franchisees have the right to transfer, sell, assign or convey any part of the remaining five-year term of the non-exclusive territory to another person or business, with the prior written consent of DSII. DSII assesses a \$2,500 non-refundable fee for franchise transfers.

The initial franchise fee and the transfer fee entitle the franchisee to receive special training on the Autostik software; access to a national hotline number for technical support or customer service questions; and promotional information and supplies to start the business. New franchisees also receive 500 labels. At the end of the five-year term, the franchisee may renew its franchise for an additional five years with no additional fee requirement.

The franchise agreement provides for the payment to DSII of a royalty fee per label. An advertising fee per label is also received by DSII, which is to be used, at DSII's discretion, for advertising programs. DSP owned stores also pay DSII a royalty fee per label. No advertising fees are charged to the DSP owned stores. Franchisees paid DSII \$0.02 per label for advertising fees in both 2022 and 2021. In both 2022 and 2021, franchisees paid royalties at a rate of \$0.78 per label and DSP owned stores paid royalties at a rate of \$0.50 per label.

The Autostik software allows for the transmission of automobile data and photos related to the labels it prints. The Company collects this data and digital photos and charges the dealerships fees for posting the data to various websites. A fee per digital photo is charged to the franchisee by DSII. No photo production fee is charged by DSII to DSP owned stores as photo services for DSP owned stores are provided by DSP.

**Note 2 – Summary of Significant Accounting Policies**

Significant accounting policies applied in the preparation of these financial statements are described below.

*Basis for presentation*

The financial statements reflect the financial position, results of operations and cash flows of DSII as a stand-alone entity for all periods presented and are in conformity, in all material respects, with U.S. generally accepted accounting principles (U.S. GAAP). The financial statements reflect the assets, liabilities, revenues and expenses directly attributable to DSII. As such, royalty and label revenue derived from DSP owned stores is included in these financial statements. The financial statements also include expense allocations deemed reasonable by management to present the financial position, results of operations and cash flows of DSII as a stand-alone entity. As a result of the extent of the relationships and activities with the Parent or DSP and the corresponding level of allocations, the operating results may have been different if DSII was an unaffiliated, separate entity and all transactions were with third parties.

*Use of estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts receivables and the method of allocating various expenses incurred by DSP and Dominion to DSII. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results could differ from those estimates.

*Cash*

All cash and treasury functions of the Company are performed by DSP and Dominion.

*Concentration of risks*

The Company and DSP operate in the used automobile industry, which is very competitive and volatile. The Company is dependent on DSP to periodically assess the customers' financial strength and to collect the royalty fees, photo revenues and advertising fees in a timely manner.



Dealer Specialties International, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

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*Accounts receivable, net*

DSP and Dominion manages the billing and collection of the amounts due from customers.

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statements of cash flows. The allowance for doubtful accounts is based upon assessment of various factors including, but not limited to, historical experience, the age of the accounts receivable balances, the credit quality of customers, current economic conditions and other factors that may affect the customers' ability to pay. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. There were no write-offs for the years ended December 31, 2022 and 2021. The Company does not have any off-balance-sheet credit risk exposure related to its customers. At December 31, 2022 and 2021, and January 1, 2021, accounts receivable, net totaled \$185,529, \$101,945, and \$153,330, respectively.

*Due (to) from DEG Subsidiaries*

As further discussed in Note 4, substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations, are provided by DSP or Dominion.

The Due (to) from DEG Subsidiaries represents bona fide claims (from) against the DEG. As DSP and Dominion perform all administrative functions for the Company, including customer invoicing and treasury and collection functions, the Due (to) from DEG Subsidiaries represents the net amount due (from) to the Company and is due on demand. It is largely comprised of the cumulative billings and collections performed by DEG Subsidiaries for the Company less the cumulative direct expenses and allocated expenses to the Company by DSP and Dominion.

*Comprehensive income*

Comprehensive income is equal to net income for all periods presented.

Dealer Specialties International, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

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*Revenue recognition*

Revenues are derived from franchise agreements and consist of franchise and transfer fees as well as royalty, photo production, and label delivery revenue. Management has identified all the following services as one performance obligation in connection with the Company's franchise agreements: pre-opening services, granting of certain trademarks, training and operational assistance, marketing and advertising services including ancillary services, licensing of the software, an integrated business management system, and technical support. Franchise fee revenues, which includes franchise fees, transfer fees, and territory expansion fees, are satisfied over time and are recognized by the Company over the term of the franchise agreement. Fees billed or received in advance of completing all material services or conditions are reported as a contract liability until those services and conditions have been satisfied. No franchise, transfer, or territory expansion fees were recognized during the years ended December 31, 2022 and 2021. Franchisees and DSP owned stores are licensed to use the Autostik software and have access to customer support under the terms specified in the franchise agreement. The company owned stores converted to the new RapidLot platform in 2022 and all company owned stores ended using Autostik in Q3 2022. However, franchisees may continue using Autostik until Q1 2023 and were still provided customer support for Autostik.

Royalty fee revenues are recognized upon processing the unique vehicle identification numbers uploaded by the franchises. Photo production revenue is recognized upon the transmission of data to the DSP. Revenue associated with label delivery is recognized upon shipment to franchisees and DSP owned stores.

*Advertising and promotion expenses*

The Company recognizes advertising and sales promotional advertising costs in the year that the costs are incurred. Advertising and promotional expenses, net of credits, were \$3,186 and \$0 in 2022 and 2021, respectively. Credits represent advertising fees received from franchisees, which are recognized when monies are expended for advertising. Amounts received in advance of the advertising being expended are deferred.

*Expense allocations*

Substantially all operating expenses are allocated to the Company by either DSP or Dominion. Effective January 1, 2016, the Company entered into two service agreements with the DSP. The Company determined both allocations were fair and reasonable for 2022 and 2021. See Note 4 for further discussion.

*Income taxes*

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

**Dealer Specialties International, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized and are reversed at such time that realization is believed to be more likely than not.

A tax sharing arrangement exists between the Company and other wholly owned corporate subsidiaries of DEG for the federal tax return. For purposes of these separate company financial statements, the tax provision has been prepared as if the Company is a separate taxpayer. Federal income taxes payable or refundable, calculated as if the Company is a separate taxpayer, is reflected as a reduction in (or increase to) the Due (to) from DEG Subsidiaries on the balance sheets.

Under FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), included in FASB ASC Topic 740, *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain income tax positions for the years ended December 31, 2022 and 2021.

Dealer Specialties International, Inc.  
Notes to Financial Statements  
December 31, 2022 and 2021

---

**Note 3 - Income Taxes**

The components of the provision for income taxes are as follows:

	<u>2022</u>	<u>2021</u>
Current:		
Federal income taxes	\$ (52,408)	\$ -
State income taxes	71	91
	<u>(52,337)</u>	<u>91</u>
Deferred:		
Federal income taxes	(96,488)	(122,413)
State income taxes	-	-
	<u>(96,488)</u>	<u>(122,413)</u>
Income tax expense	\$ <u>(148,825)</u>	\$ <u>(122,322)</u>

As of December 31, 2022 and 2021, there were \$225,500 and \$129,013, respectively, in deferred income tax assets. The deferred income tax assets for December 31, 2022 and 2021 represent the tax effect of the current net operating loss, carryforward net operating losses, and the tax effect of the allowance for doubtful accounts. While bad debt expense is deductible when written off for income tax purposes, the expense is recognized when the reserve is established for financial reporting purposes.

The income tax provision differs from the amount computed for income taxes using the U.S. federal statutory rate because of state income taxes, net of federal income tax benefit.

**Note 4 - Related Party Transactions**

DSP or Dominion provides substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations. DSP or Dominion provides most other services for the Company including: management oversight, processing and approving franchisee applications and transfers, training and customer support. Photo production services are also provided to the franchisees by DSP on behalf of the Company. DSP assumes responsibility for billing and collecting the amounts due from the franchisees and the DSP owned stores.

As described in Note 2, the Company entered into two service agreements with DSP for a monthly fixed fee described below.

In 2022 and 2021, the Company agreed to pay DSP a monthly service fee of \$132,500 in consideration for the information technology support and hosting services related to product development, data hosting and Autostik user support. In 2022 and 2021, the Company agreed to

**Dealer Specialties International, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

---

pay DSP a monthly service fee of \$22,100 in consideration for the general and administrative expenses incurred by DSP. The Company's management believes these fees reflect a reasonable and appropriate allocation methodology. For the years ended December 31, 2022 and 2021, the DSP billed both of the fees due from the Company, as discussed above, in the amount of \$1,855,200. These costs are recorded in the selling, general and administrative expense in the Company's financial statements.

All treasury, financial accounting and federal and state income tax operations are centrally processed at Dominion's headquarters, including disbursement of funds. Dominion charges its subsidiaries and affiliates, including the Company, for home office services. For the years ended December 31, 2022 and 2021, the Company was charged a management fee of \$5,834 and \$0, respectively, by Dominion.

Dominion has agreed to provide the Company, so long as it remains a wholly owned subsidiary, with such operational and financial support as may be necessary for its continued operations through December 31, 2024. Financial support may be in the form of cash advances, loans, equity infusions or external debt guarantees.

Total royalty fee revenue derived from DSP owned stores was \$344,301 and \$500,535 for the years ended December 31, 2022 and 2021, respectively. Total label revenue derived from DSP owned stores was \$287,201 and \$303,736 for the years ended December 31, 2022 and 2021, respectively.

**Note 5 - Contingencies**

The Company is involved in various legal actions that have arisen in the ordinary course of business. Management, after discussions with legal counsel, does not believe these matters will have a material adverse effect on the Company's financial position or results of operations.

**Note 6 - Risks and Uncertainties**

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As of the date the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. The Company cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic has had on its financial condition, collections and operations.

**Note 7 - Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through April 6, 2023, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

**Dealer Specialties International, Inc.**  
**2021 Consolidated Financial Statements**

Dealer Specialties International, Inc.  
Index to Consolidated Financial Statements

---

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Retained Earnings	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 12

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Dealer Specialties International, Inc. and  
Board of Directors of Landmark Media Enterprises, LLC  
Dealer Specialties International, Inc. and Subsidiary  
Norfolk, Virginia

*Opinion*

We have audited the consolidated financial statements of Dealer Specialties International, Inc. and subsidiary (the Company), a wholly owned subsidiary of Dealer Specialties, Inc. (the Parent), which is an indirect wholly owned subsidiary of Dominion Enterprises Group, LLC (Dominion), which is a wholly owned subsidiary of Landmark Media Enterprises, LLC (LME), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dealer Specialties International, Inc. and subsidiary as of December 31, 2021 and 2020, and the results of its operations and 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dealer Specialties International, Inc. and subsidiary 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.

*Emphasis of Matter – Related Party Transactions*

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company has had numerous significant transactions with affiliated businesses. Specifically, substantially all of the operating activities and administrative functions of the Company are performed by the Parent or Dominion. Substantially all of the Company's expenses are also allocated by the Parent or Dominion. In 2021 and 2020, the costs allocated were fixed monthly fees based on two service agreements. The Company is dependent upon the continuation of this operational, administrative, and financial support and has received commitments from the Parent and Dominion to continue to provide such support through December 31, 2023. Our opinion is not modified with respect to this matter.

*Emphasis of Matter – Restatement*

As discussed in Note 8 to the consolidated financial statements, the 2020 consolidated financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.





### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Dealer Specialties International, Inc. and subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dealer Specialties International, Inc. and subsidiary'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.

### ***Other Information Included in the Franchise Disclosure Document (FDD)***

Management is responsible for the other information included in the FDD. The other information comprises Items 1 – 20, 22 – 23, and exhibits included in the FDD, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Waco, Einhard Chenier, P.C.*

Norfolk, Virginia  
March 24, 2022

Dealer Specialties International, Inc.  
Consolidated Balance Sheets  
December 31, 2021 and 2020

	2021	Restated 2020
<b>Assets</b>		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of \$30,556 in 2021 and \$31,421 in 2020	\$101,945	\$153,330
Due from Parent	1,092,082	1,568,643
Deferred income taxes	129,013	6,599
Total assets	<u>\$1,323,040</u>	<u>\$1,728,572</u>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	\$41,449	\$49,536
Deferred advertising fees	20,644	11,345
Total liabilities	<u>62,093</u>	<u>60,881</u>
<b>Stockholder's equity</b>		
Common stock, no par value; 750 shares authorized; 100 shares issued and outstanding	30,000	30,000
Retained earnings	1,230,947	1,637,692
Total stockholder's equity	<u>1,260,947</u>	<u>1,667,692</u>
Total liabilities and stockholder's equity	<u>\$1,323,040</u>	<u>\$1,728,573</u>

See independent auditors' report and accompanying notes to the consolidated financial statements.

Dealer Specialties International, Inc.  
Consolidated Statements of Operations and Retained Earnings  
Years Ended December 31, 2021 and 2020

	2021	Restated 2020
<b>Revenues</b>		
Royalty fees	\$866,270	\$1,081,276
Photo production	872,048	1,139,240
Label sales and other	490,093	456,857
Total revenues	<u>2,228,411</u>	<u>2,677,373</u>
<b>Operating expenses</b>		
Operating supplies and services	517,969	521,896
Selling, general and administrative	2,239,509	2,058,435
Total operating expenses	<u>2,757,478</u>	<u>2,580,331</u>
(Loss) income before income tax (benefit) expense	(529,067)	97,042
Income tax (benefit) expense	<u>(122,322)</u>	<u>31,761</u>
Net (loss) income	<u>(\$406,745)</u>	<u>\$65,281</u>
<b>Retained earnings</b>		
Beginning of year	\$1,637,692	\$1,572,411
Net (loss) income	<u>(406,745)</u>	<u>65,281</u>
End of year	<u>\$1,230,947</u>	<u>\$1,637,692</u>

See independent auditors' report and accompanying notes to the consolidated financial statements.

Dealer Specialties International, Inc.  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	2021	Restated 2020
<b>Cash flows from operating activities:</b>		
Net (loss) income	(\$406,745)	\$65,281
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Effect of changes in operating assets and liabilities:		
Accounts receivable, net	51,385	26,014
Due from Parent	476,561	(85,278)
Deferred income taxes	(122,413)	558
Accrued expenses	(8,087)	(3,541)
Deferred advertising fees	9,299	(3,034)
Net cash from operating activities	<u>-</u>	<u>-</u>
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$0</u>	<u>\$0</u>
<b>Supplemental cash flow information</b>		
Cash paid for income taxes	\$91	\$31,202

See independent auditors' report and accompanying notes to the consolidated financial statements.



**Note 1 - Organization and Nature of Business**

Dealer Specialties International, Inc. (DSII), incorporated in Ohio on May 30, 1995, is a wholly owned subsidiary of Dealer Specialties, Inc. (Parent), which is an indirect wholly owned subsidiary of Dominion Enterprises Group, LLC (Dominion), which is a wholly owned subsidiary of Landmark Media Enterprises, LLC. DSII franchises the use of its name, Dealer Specialties, and the use of the Autostik software that was originally developed and is owned and copyrighted by the Parent. DSII licenses the right to use the Autostik software to franchisees and stores owned by Dominion. Autostik software is used to provide automobile dealers with window stickers or labels for their inventories of used automobiles comparable to that provided by manufacturers on new vehicles. As of December 31, 2021, there were 41 franchisees and 51 Dominion owned stores. As of December 31, 2020, there were 42 franchisees and 51 Dominion owned stores.

Each franchisee pays an initial non-refundable fee of \$10,000 upon the execution of a five-year franchise agreement that grants the franchisee a non-exclusive geographically defined territory with the right to produce and sell vehicle identification labels to new and used automobile dealers. Franchisees have the right to transfer, sell, assign or convey any part of the remaining five-year term of the non-exclusive territory to another person or business, with the prior written consent of DSII. DSII assesses a \$2,500 non-refundable fee for franchise transfers.

The initial franchise fee and the transfer fee entitle the franchisee to receive special training from the Parent on the Autostik software; access to a national hotline number for technical support or customer service questions; and promotional information and supplies to start the business. New franchisees also receive 500 labels. At the end of the five-year term, the franchisee may renew its franchise for an additional five years with no additional fee requirement.

The franchise agreement provides for the payment to DSII of a royalty fee per label. An advertising fee per label is also received by DSII, which is to be used, at DSII's discretion, for advertising programs. Dominion owned stores also pay DSII a royalty fee per label. No advertising fees are charged to the Dominion owned stores. Franchisees paid DSII \$0.02 per label for advertising fees in both 2021 and 2020. In both 2021 and 2020, franchisees paid royalties at a rate of \$0.78 per label and Dominion owned stores paid royalties at a rate of \$0.50 per label.

The Autostik software allows for the transmission of automobile data and photos related to the labels it prints. The Parent collects this data and digital photos and charges the dealerships fees for posting the data to various websites. A fee per digital photo is charged to the franchisee by DSII. No photo production fee is charged by DSII to Dominion owned stores as photo services for Dominion owned stores are provided by another affiliate of Dominion.

In 2003, DSII introduced a high resolution photo product called D5 Photo Showcase. These high quality digital photos are displayed online and, as with the Autostik software, a fee per digital photo is charged to the franchisee by DSII. No high resolution photo production fee is charged by DSII to Dominion owned stores as high resolution photo services for Dominion owned stores are provided by another affiliate of Dominion.

**Note 2 - Summary of Significant Accounting Policies**

Significant accounting policies applied in the preparation of these consolidated financial statements are described below.

*Basis for presentation*

The consolidated financial statements reflect the financial position, results of operations and cash flows of DSII as a stand-alone entity for all periods presented and are in conformity, in all material respects, with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements reflect the assets, liabilities, revenues and expenses directly attributable to DSII and its subsidiary. As such, royalty and label revenue derived from Dominion owned stores is included in these consolidated financial statements. The consolidated financial statements also include expense allocations deemed reasonable by management to present the financial position, results of operations and cash flows of DSII as a stand-alone entity. As a result of the extent of the relationships and activities with the Parent or Dominion and the corresponding level of allocations, the operating results may have been different if DSII was an unaffiliated, separate entity and all transactions were with third parties.

*Principles of consolidation*

The accompanying consolidated financial statements include the accounts of DSII and its wholly owned subsidiary, IFA, Inc., (collectively, the Company). In accordance with the Subsections of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, *Consolidation*, the Company consolidates any subsidiary of which it has a controlling financial interest, as defined. All significant intercompany balances and transactions have been eliminated in consolidation.

*Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts receivables and the method of allocating various expenses incurred by the Parent and Dominion to DSII. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results could differ from those estimates.

*Cash*

All cash and treasury functions of the Company are performed by the Parent.

*Concentration of risks*

The Company and its Parent operate in the used automobile industry, which is very competitive and volatile. The Company is dependent on the Parent to periodically assess the customers' financial strength and to collect the royalty fees, photo revenues and advertising fees in a timely manner.



Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

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*Accounts receivable, net*

The Parent manages the billing and collection of the amounts due from customers.

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is based upon assessment of various factors including, but not limited to, historical experience, the age of the accounts receivable balances, the credit quality of customers, current economic conditions and other factors that may affect the customers' ability to pay. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs for the years ended December 31, 2021 and 2020 were \$0. The Company does not have any off-balance-sheet credit risk exposure related to its customers.

*Due (to) from Parent*

As further discussed in Note 4, substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations, are provided by the Parent or Dominion.

The Due (to) from Parent represents bona fide claims (from) against the Parent. As the Parent performs all administrative functions for the Company, including customer invoicing and treasury and collection functions, the Due (to) from Parent represents the net amount due (from) to the Company and is due on demand. It is largely comprised of the cumulative billings and collections performed by the Parent for the Company less the cumulative direct expenses and allocated expenses to the Company by the Parent and dividends to the Parent.

*Comprehensive income*

Comprehensive income is equal to net income for all periods presented.

*Revenue recognition*

Revenues are derived from franchise agreements and consist of franchise and transfer fees as well as royalty, photo production, and label delivery revenue. Management has identified all the following services as one performance obligation in connection with the Company's franchise agreements: pre-opening services, granting of certain trademarks, training and operational assistance, marketing and advertising services including ancillary services, licensing of the software, an integrated business management system, and technical support. Franchise fee revenues, which includes franchise fees, transfer fees, and territory expansion fees, are satisfied over time and are recognized by the Company over the term of the franchise agreement. Fees billed or received in advance of completing all material services or conditions are reported as a contract liability until those services and conditions have been satisfied. No franchise, transfer, or territory expansion fees were recognized during the years ended December 31, 2021 and 2020. Franchisees and Dominion owned stores are licensed to use the Autostik software and have access to customer support under the terms specified in the franchise agreement.

Royalty fee revenues are recognized upon processing the unique vehicle identification numbers uploaded by the franchisees. Photo production revenue is recognized upon the transmission of data to the Parent. Revenue associated with label delivery is recognized upon shipment to franchisees and Dominion owned stores.

*Advertising and promotion expenses*

The Company recognizes advertising and sales promotional advertising costs in the year that the costs are incurred. Advertising and promotional expenses, net of credits, were \$0 and \$10,621 in 2021 and 2020, respectively. Credits represent advertising fees received from franchisees, which are recognized when monies are expended for advertising. Amounts received in advance of the advertising being expended are deferred.

*Expense allocations*

Substantially all operating expenses are allocated to the Company by either the Parent or Dominion. Effective January 1, 2016, the Company entered into two service agreements with the Parent. The Company determined both allocations were fair and reasonable for 2021 and 2020. See Note 4 for further discussion.

*Income taxes*

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



Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

---

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized and are reversed at such time that realization is believed to be more likely than not.

A tax sharing arrangement exists between the Company and other wholly owned corporate subsidiaries of Dominion for the federal tax return. For purposes of these separate company consolidated financial statements, the tax provision has been prepared as if the Company is a separate taxpayer. Federal income taxes payable or refundable, calculated as if the Company is a separate taxpayer, is reflected as a reduction in (or increase to) the Due (to) from Parent on the consolidated balance sheets.

Under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*, included in FASB ASC Topic 740, *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain income tax positions for the years ended December 31, 2021 and 2020.

Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2021 and 2020

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Note 3 - Income Taxes

The components of the provision for income taxes are as follows:

	<u>2021</u>	<u>2020</u>
Current		
Federal	\$-	\$31,085
State	91	118
	<u>91</u>	<u>31,203</u>
Deferred		
Federal	(122,413)	558
State	-	-
	<u>(122,413)</u>	<u>558</u>
Total income tax expense	<u>(\$122,322)</u>	<u>\$31,761</u>

As of December 31, 2021 and 2020, there were \$129,013 and \$6,600, respectively, in deferred income tax assets. The deferred income tax assets for December 31, 2021 represent the tax effect of the current year net operating loss. The deferred income tax assets for December 31, 2020 represent the tax effect of allowance for doubtful accounts. While bad debt expense is deductible when written off for income tax purposes, the expense is recognized when the reserve is established for financial reporting purposes.

The income tax provision differs from the amount computed for income taxes using the U.S. federal statutory rate because of state income taxes, net of federal income tax benefit.

Note 4 - Related Party Transactions

The Parent or Dominion provides substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations. The Parent or Dominion provides most other services for the Company including: management oversight, processing and approving franchisee applications and transfers, training and customer support. Photo production services are also provided to the franchisees by the Parent on behalf of the Company. The Parent assumes responsibility for billing and collecting the amounts due from the franchisees and the Dominion owned stores.

As described in Note 2, the Company entered into two service agreements with the Parent for a monthly fixed fee described below.

In 2021 and 2020, the Company agreed to pay the Parent a monthly service fee of \$132,500 in consideration for the information technology support and hosting services related to product development, data hosting and Autostik user support. In 2021 and 2020, the company agreed to pay the Parent a monthly service fee of \$22,100 in consideration for the general and administrative expenses incurred by the Parent. The Company's management believes these fees reflect a reasonable and appropriate allocation methodology. For the years ended December 31, 2021 and 2020, the Parent billed both of the fees due from the Company, as discussed above, in the amount



**Dealer Specialties International, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2021 and 2020**

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of \$1,855,200. These costs are recorded in the selling, general and administrative expense in the Company's consolidated financial statements.

All treasury, financial accounting and federal and state income tax operations are centrally processed at Dominion's headquarters, including disbursement of funds. Dominion charges its subsidiaries, including the Parent, for home office services. For the years ended December 31, 2021 and 2020, the Parent was not charged a management fee by Dominion.

Dominion has agreed to provide the Company, so long as it remains a wholly-owned subsidiary, with such operational and financial support as may be necessary for its continued operations through December 31, 2023. Financial support may be in the form of cash advances, loans, equity infusions or external debt guarantees.

Total royalty fee revenue derived from Dominion owned stores was \$500,535 and \$637,815 for the years ended December 31, 2021 and 2020, respectively. Total label revenue derived from Dominion owned stores was \$303,736 and \$302,516 for the years ended December 31, 2021 and 2020, respectively.

**Note 5 - Contingencies**

The Company is involved in various legal actions that have arisen in the ordinary course of business. Management, after discussions with legal counsel, does not believe these matters will have a material adverse effect on the Company's financial position or results of operations.

**Note 6 - Risks and Uncertainties**

In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 outbreak. The pandemic has caused unprecedented economic volatility and uncertainty, which has impacted the Company's operating results. The company's profitability is, to a great extent, dependent on various aspects of vehicle manufacturers' operations. As a result of significant shortages of semiconductors, parts and key components, new vehicle manufacturers have slowed production of new vehicles, which has impacted the market for both new and used vehicles. The company cannot predict with any certainty how long these production slowdowns in the automotive retail industry will persist and when normalized production will resume at these manufacturers. The duration of the COVID-19 pandemic and the extent of its impact on the Company cannot be reasonably estimated at this time.

**Note 7 - Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 24, 2022, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

**Note 8 - Restatement of Financial Statements**

Subsequent to the issuance of the 2020 financial statements, errors related to the overstatement of revenue by approximately \$53,000 were identified by the Company. The errors were associated with the Company incorrectly recording revenue associated with two specific contracts. As such, the financial statements of the Company as of December 31, 2020 were restated to accurately reflect revenue and associated earnings.

See independent auditors' report.

**Dealer Specialties International, Inc.**  
**2020 Consolidated Financial Statements**

Dealer Specialties International, Inc.  
Index to Consolidated Financial Statements

---

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Income and Retained Earnings	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 12

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Dealer Specialties International, Inc. and  
Board of Directors of Landmark Media Enterprises, LLC  
**Dealer Specialties International, Inc. and Subsidiary**  
Norfolk, Virginia

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **Dealer Specialties International, Inc. and subsidiary** (the Company), a wholly owned subsidiary of Dealer Specialties, Inc. (the Parent), which is an indirect wholly owned subsidiary of Dominion Enterprises Group, LLC (Dominion), which is a wholly owned subsidiary of Landmark Media Enterprises, LLC (LME), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and retained earnings and cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Dealer Specialties International, Inc. and subsidiary** as of December 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company has had numerous significant transactions with affiliated businesses. Specifically, substantially all of the operating activities and administrative functions of the Company are performed by the Parent or Dominion. Substantially all of the Company's expenses are also allocated by the Parent or Dominion. In 2020 and 2019, the costs allocated were fixed monthly fees based on two service agreements. The Company is dependent upon the continuation of this operational, administrative, and financial support and has received commitments from the Parent and Dominion to continue to provide such support through December 31, 2022. Our opinion is not modified with respect to this matter.

Norfolk, Virginia  
March 25, 2021

*Wae, Einhard Chen, P.C.*



Dealer Specialties International, Inc.  
Consolidated Balance Sheets  
December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Accounts receivable, net of allowance for doubtful accounts of \$31,421 in 2020 and \$34,084 in 2019	\$153,330	\$179,344
Due from Parent	1,622,406	1,483,365
Deferred income taxes	6,600	7,158
Total assets	<u>\$1,782,336</u>	<u>\$1,669,867</u>
<b>Liabilities and Stockholder's Equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Accrued expenses	\$49,536	\$53,077
Deferred advertising fees	11,345	14,379
Total liabilities	<u>60,881</u>	<u>67,456</u>
<b>Stockholder's equity</b>		
Common stock, no par value; 750 shares authorized; 100 shares issued and outstanding	30,000	30,000
Retained earnings	1,691,455	1,572,411
Total stockholder's equity	<u>1,721,455</u>	<u>1,602,411</u>
Total liabilities and stockholder's equity	<u>\$1,782,336</u>	<u>\$1,669,867</u>

See independent auditors' report and accompanying notes to the consolidated financial statements.



**Dealer Specialties International, Inc.**  
**Consolidated Statements of Income and Retained Earnings**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Revenues</b>		
Royalty fees	\$1,081,276	\$1,416,142
Photo production	1,139,240	1,385,975
Label sales and other	510,620	579,607
Total revenues	<u>2,731,136</u>	<u>3,381,724</u>
<b>Operating expenses</b>		
Operating supplies and services	521,896	642,869
Selling, general and administrative	2,058,435	2,456,563
Total operating expenses	<u>2,580,331</u>	<u>3,099,432</u>
Income before income tax expense	150,805	282,292
Income tax expense	<u>31,761</u>	<u>59,153</u>
Net income	<u>\$119,044</u>	<u>\$223,139</u>
<b>Retained earnings</b>		
Beginning of year	\$1,572,411	\$1,349,272
Net income	119,044	223,139
End of year	<u>\$1,691,455</u>	<u>\$1,572,411</u>

See independent auditors' report and accompanying notes to the consolidated financial statements.

**Dealer Specialties International, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

	2020	2019
<b>Cash flows from operating activities:</b>		
Net income	\$119,044	\$223,139
Adjustments to reconcile net income to net cash from operating activities:		
<b>Effect of changes in operating assets and liabilities:</b>		
Accounts receivable, net	26,014	31,859
Due from Parent	(139,041)	(258,495)
Deferred income taxes	558	(527)
Accrued expenses	(3,541)	5,911
Deferred advertising fees	(3,034)	(1,887)
<b>Net cash from operating activities</b>	<u>-</u>	<u>-</u>
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	<u>\$0</u>	<u>\$0</u>
<b>Supplemental cash flow information</b>		
Cash paid for income taxes	\$31,202	\$59,680

See independent auditors' report and accompanying notes to the consolidated financial statements.

**Note 1 - Organization and Nature of Business**

Dealer Specialties International, Inc. (DSII), incorporated in Ohio on May 30, 1995, is a wholly owned subsidiary of Dealer Specialties, Inc. (Parent), which is an indirect wholly owned subsidiary of Dominion Enterprises Group, LLC (Dominion), which is a wholly owned subsidiary of Landmark Media Enterprises, LLC. DSII franchises the use of its name, Dealer Specialties, and the use of the Autostik software that was originally developed and is owned and copyrighted by the Parent. DSII licenses the right to use the Autostik software to franchisees and stores owned by Dominion. Autostik software is used to provide automobile dealers with window stickers or labels for their inventories of used automobiles comparable to that provided by manufacturers on new vehicles. As of December 31, 2020, there were 42 franchisees and 51 Dominion owned stores. As of December 31, 2019, there were 43 franchisees and 51 Dominion owned stores.

Each franchisee pays an initial non-refundable fee of \$10,000 upon the execution of a five-year franchisee agreement that grants the franchisee a non-exclusive geographically defined territory with the right to produce and sell vehicle identification labels to new and used automobile dealers. Franchisees have the right to transfer, sell, assign or convey any part of the remaining five-year term of the non-exclusive territory to another person or business, with the prior written consent of DSII. DSII assesses a \$2,500 non-refundable fee for franchise transfers.

The initial franchise fee and the transfer fee entitle the franchisee to receive special training from the Parent on the Autostik software; access to a national hotline number for technical support or customer service questions; and promotional information and supplies to start the business. New franchisees also receive 500 labels. At the end of the five-year term, the franchisee may renew its franchise for an additional five years with no additional fee requirement.

The franchise agreement provides for the payment to DSII of a royalty fee per label. An advertising fee per label is also received by DSII, which is to be used, at DSII's discretion, for advertising programs. Dominion owned stores also pay DSII a royalty fee per label. No advertising fees are charged to the Dominion owned stores. Franchisees paid DSII \$0.02 per label for advertising fees in both 2020 and 2019. In both 2020 and 2019, franchisees paid royalties at a rate of \$0.78 per label and Dominion owned stores paid royalties at a rate of \$0.50 per label.

The Autostik software allows for the transmission of automobile data and photos related to the labels it prints. The Parent collects this data and digital photos and charges the dealerships fees for posting the data to various websites. A fee per digital photo is charged to the franchisee by DSII. No photo production fee is charged by DSII to Dominion owned stores as photo services for Dominion owned stores are provided by another affiliate of Dominion.

In 2003, DSII introduced a high resolution photo product called D5 Photo Showcase. These high quality digital photos are displayed online and, as with the Autostik software, a fee per digital photo is charged to the franchisee by DSII. No high resolution photo production fee is charged by DSII to Dominion owned stores as high resolution photo services for Dominion owned stores are provided by another affiliate of Dominion.

**Note 2 - Summary of Significant Accounting Policies**

Significant accounting policies applied in the preparation of these consolidated financial statements are described below.

*Basis for presentation*

The consolidated financial statements reflect the financial position, results of operations and cash flows of DSII as a stand-alone entity for all periods presented and are in conformity, in all material respects, with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements reflect the assets, liabilities, revenues and expenses directly attributable to DSII and its subsidiary. As such, royalty and label revenue derived from Dominion owned stores is included in these consolidated financial statements. The consolidated financial statements also include expense allocations deemed reasonable by management to present the financial position, results of operations and cash flows of DSII as a stand-alone entity. As a result of the extent of the relationships and activities with the Parent or Dominion and the corresponding level of allocations, the operating results may have been different if DSII was an unaffiliated, separate entity and all transactions were with third parties.

*Principles of consolidation*

The accompanying consolidated financial statements include the accounts of DSII and its wholly owned subsidiary, IFA, Inc., (collectively, the Company). In accordance with the Subsections of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, *Consolidation*, the Company consolidates any subsidiary of which it has a controlling financial interest, as defined. All significant intercompany balances and transactions have been eliminated in consolidation.

*Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts receivables and the method of allocating various expenses incurred by the Parent and Dominion to DSII. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results could differ from those estimates.

*Cash*

All cash and treasury functions of the Company are performed by the Parent.

*Concentration of risks*

The Company and its Parent operate in the used automobile industry, which is very competitive and volatile. The Company is dependent on the Parent to periodically assess the customers' financial strength and to collect the royalty fees, photo revenues and advertising fees in a timely manner.

Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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*Accounts receivable, net*

The Parent manages the billing and collection of the amounts due from customers.

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The allowance for doubtful accounts is based upon assessment of various factors including, but not limited to, historical experience, the age of the accounts receivable balances, the credit quality of customers, current economic conditions and other factors that may affect the customers' ability to pay. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-offs for the years ended December 31, 2020 and 2019 were \$0. The Company does not have any off-balance-sheet credit risk exposure related to its customers.

*Due (to) from Parent*

As further discussed in Note 4, substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations, are provided by the Parent or Dominion.

The Due (to) from Parent represents bona fide claims (from) against the Parent. As the Parent performs all administrative functions for the Company, including customer invoicing and treasury and collection functions, the Due (to) from Parent represents the net amount due (from) to the Company and is due on demand. It is largely comprised of the cumulative billings and collections performed by the Parent for the Company less the cumulative direct expenses and allocated expenses to the Company by the Parent and dividends to the Parent.

*Comprehensive income*

Comprehensive income is equal to net income for all periods presented.



Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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*Revenue recognition*

Revenues are derived from franchise agreements and consist of franchise and transfer fees as well as royalty, photo production, and label delivery revenue. Management has identified all the following services as one performance obligation in connection with the Company's franchise agreements: pre-opening services, granting of certain trademarks, training and operational assistance, marketing and advertising services including ancillary services, licensing of the software, an integrated business management system, and technical support. Franchise fee revenues, which includes franchise fees, transfer fees, and territory expansion fees, are satisfied over time and are recognized by the Company over the term of the franchise agreement. Fees billed or received in advance of completing all material services or conditions are reported as a contract liability until those services and conditions have been satisfied. No franchise, transfer, or territory expansion fees were recognized during the years ended December 31, 2020 and 2019. Franchisees and Dominion owned stores are licensed to use the Autostik software and have access to customer support under the terms specified in the franchise agreement.

Royalty fee revenues are recognized upon processing the unique vehicle identification numbers uploaded by the franchises. Photo production revenue is recognized upon the transmission of data to the Parent. Revenue associated with label delivery is recognized upon shipment to franchisees and Dominion owned stores.

*Advertising and promotion expenses*

The Company recognizes advertising and sales promotional advertising costs in the year that the costs are incurred. Advertising and promotional expenses, net of credits, were \$10,621 and \$25,855 in 2020 and 2019, respectively. Credits represent advertising fees received from franchisees, which are recognized when monies are expended for advertising. Amounts received in advance of the advertising being expended are deferred.

*Expense allocations*

Substantially all operating expenses are allocated to the Company by either the Parent or Dominion. Effective January 1, 2016, the Company entered into two service agreements with the Parent. The Company determined both allocations were fair and reasonable for 2020 and 2019. See Note 4 for further discussion.

*Income taxes*

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

Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized and are reversed at such time that realization is believed to be more likely than not.

A tax sharing arrangement exists between the Company and other wholly owned corporate subsidiaries of Dominion for the federal tax return. For purposes of these separate company consolidated financial statements, the tax provision has been prepared as if the Company is a separate taxpayer. Federal income taxes payable or refundable, calculated as if the Company is a separate taxpayer, is reflected as a reduction in (or increase to) the Due (to) from Parent on the consolidated balance sheets.

Under FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*, included in FASB ASC Topic 740, *Income Taxes*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. There were no uncertain income tax positions for the years ended December 31, 2020 and 2019.

Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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**Note 3 - Income Taxes**

The components of the provision for income taxes are as follows:

	<u>2020</u>	<u>2019</u>
Current		
Federal	\$31,085	\$59,842
State	118	(162)
	<u>31,203</u>	<u>59,680</u>
Deferred		
Federal	558	(527)
State	-	-
	<u>558</u>	<u>(527)</u>
Total income tax expense	<u>\$31,761</u>	<u>\$59,153</u>

As of December 31, 2020 and 2019, there were \$6,600 and \$7,158, respectively, in deferred income tax assets. The deferred income tax assets for December 31, 2020 and 2019 represent the tax effect of allowance for doubtful accounts. While bad debt expense is deductible when written off for income tax purposes, the expense is recognized when the reserve is established for financial reporting purposes.

The income tax provision differs from the amount computed for income taxes using the U.S. federal statutory rate because of state income taxes, net of federal income tax benefit.

**Note 4 - Related Party Transactions**

The Parent or Dominion provides substantially all of the Company's administrative functions, including transaction processing and cash receipt and disbursement operations. The Parent or Dominion provides most other services for the Company including: management oversight, processing and approving franchisee applications and transfers, training and customer support. Photo production services are also provided to the franchisees by the Parent on behalf of the Company. The Parent assumes responsibility for billing and collecting the amounts due from the franchisees and the Dominion owned stores.

As described in Note 2, the Company entered into two service agreements with the Parent for a monthly fixed fee described below.

In 2020 and 2019, the Company agreed to pay the Parent a monthly service fee of \$132,500 in consideration for the information technology support and hosting services related to product development, data hosting and Autostik user support. In 2020 and 2019, the company agreed to pay the Parent a monthly service fee of \$22,100 in consideration for the general and administrative expenses incurred by the Parent. The Company's management believes these fees reflect a reasonable and appropriate allocation methodology. For the years ended December 31, 2020 and 2019, the Parent billed both of the fees due from the Company, as discussed above, in the amount of \$1,855,200. These costs are recorded in the selling, general and administrative expense in the Company's consolidated financial statements.



Dealer Specialties International, Inc.  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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All treasury, financial accounting and federal and state income tax operations are centrally processed at Dominion's headquarters, including disbursement of funds. Dominion charges its subsidiaries, including the Parent, for home office services. For the years ended December 31, 2020 and 2019, the Parent was charged a management fee by Dominion, of which \$0 and \$236,721, respectively, was then allocated to the Company and is included in selling, general and administrative expenses in the Company's consolidated financial statements.

Dominion has agreed to provide the Company, so long as it remains a wholly-owned subsidiary, with such operational and financial support as may be necessary for its continued operations through December 31, 2022. Financial support may be in the form of cash advances, loans, equity infusions or external debt guarantees.

Total royalty fee revenue derived from Dominion owned stores was \$637,815 and \$855,370 for the years ended December 31, 2020 and 2019, respectively. Total label revenue derived from Dominion owned stores was \$302,516 and \$349,871 for the years ended December 31, 2020 and 2019, respectively.

**Note 5 - Contingencies**

The Company is involved in various legal actions that have arisen in the ordinary course of business. Management, after discussions with legal counsel, does not believe these matters will have a material adverse effect on the Company's financial position or results of operations.

**Note 6 - Risks and Uncertainties**

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As of the date the financial statements were available to be issued, the Company's operations have not been significantly impacted by the COVID-19 outbreak. The Company cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic has had on its financial condition, collections and operations.

**Note 7 - Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 25, 2021, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

**EXHIBIT E**

**FRANCHISE AGREEMENT**

**Error! Unknown document property name.**

## FRANCHISE AGREEMENT

This Agreement, made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between Dealer Specialties International, Inc., a corporation formed and operating under the laws of the State of Ohio, having its principal place of business at 60 Overbrook Drive, Monroe, Ohio 45050, (hereinafter referred to as \_\_\_\_\_ “FRANCHISOR”), and \_\_\_\_\_ of \_\_\_\_\_ in the City of \_\_\_\_\_, in the State of \_\_\_\_\_ (hereinafter referred to as “FRANCHISEE”).

FRANCHISOR and FRANCHISEE acknowledge that:

FRANCHISOR has acquired experience, special skills, techniques and knowledge in the operating, and licensing others to operate, businesses (“**Dealer Specialties® Business**” or “**Business**”) for the production of unique vehicle photographs (“**Photos**”) and description labels and/or electronic labels (each, a “**Label**”) to facilitate new and used vehicle sales and to assist vehicle dealers in complying with Federal Trade Commission Regulations, and the extraction, transformation, loading, compilation, publication, assembly, distribution and dissemination of data concerning vehicles (“**Vehicle Data Distribution**”), all through the use of (i) software that FRANCHISOR specifies for use from time to time (currently its proprietary copyrighted RapidLot™ and/or AutoStik™ for Windows® software) (the “**Software**”) and (ii) certain methods, procedures, standards and specifications FRANCHISOR specifies and modifies from time to time, some of which are set forth in the Confidential Operations Manual (“**Operations Manual**”) provided by FRANCHISOR and modified from time to time.

FRANCHISOR has also developed a business plan and method for operating the Dealer Specialties® Businesses (“**Dealer Specialties® System**” or “**System**”) for use in conjunction with the Software for the establishment, operation and development of the Dealer Specialties® Business with distinctive features in the product, services, production, distribution, accounting, and comprehensive management assistance, which System is identified by the mark, “Dealer Specialties®” and certain other service marks FRANCHISOR authorizes for use in the Business (collectively, the “**Marks**”). The Marks and the Software comprise important parts of the System, which also include the standards, specifications, procedures and methods prescribed, changed and modified by FRANCHISOR from time to time.

FRANCHISOR has been assigned the entire right, title and interest, together with all the goodwill connected therewith, in and to the service mark and trademark, “Dealer Specialties®,” and other Marks, patents and copyrights, if any, hereafter acquired with respect to the Dealer Specialties® Business.

FRANCHISOR has, by maintenance of uniformity and high standards of quality and service, established a reputation, demand and goodwill for certain products and services associated with the Marks and the Business operated under the System, which FRANCHISOR may change and modify from time to time.

All of the foregoing having a distinctive and valuable significance to the public, and FRANCHISEE, being cognizant thereof, desires to make use of the name, "Dealer Specialties®" and to enjoy the commercial benefits of the name and the benefits of the System and operating services related hereto;

Accordingly, the parties hereto, intending to be legally bound in consideration of the mutual Agreements, covenants and promises contained herein, agree as follows:

**I. APPOINTMENT AND FRANCHISE FEE**

A. FRANCHISOR hereby grants to FRANCHISEE, and FRANCHISEE hereby accepts from FRANCHISOR, the non-exclusive right, license and obligation to use the Marks, the Software and the System in the operation of a Dealer Specialties® Business, under the specific conditions and purposes hereinafter set forth in this Agreement, solely within the following county or contiguous counties (or their equivalents) (the "Territory"):

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B. FRANCHISOR's grant of the franchise in the Territory is NON-EXCLUSIVE to its right to operate its own or affiliated Dealer Specialties® Business or grant franchises to others to do so.

C. FRANCHISEE acknowledges and agrees that the right, privilege and franchise granted by this Agreement is for the operation of a remotely operated Business using the Dealer Specialties® System at the premises of FRANCHISEE's customers located within the Territory. There is nothing however, by the terms of this Agreement preventing FRANCHISEE from establishing a physical location in the Territory for the on-site performance of services included in the Business for its customers in the Territory.

D. The franchise is directly related to, and limited by, the Territory. FRANCHISEE shall not: (1) solicit, market or promote to potential customers that are located outside the Territory; nor (2) sell or perform Dealer Specialties® products or services outside the Territory or to or for any dealers at locations outside the Territory.

E. FRANCHISEE shall pay to FRANCHISOR the sum of: \$10,000 in return for which FRANCHISEE shall receive all the rights to do business as a licensed Dealer Specialties® franchisee granted under the terms of this Agreement, including an initial training course, promotional and other pre-opening services, five-hundred (500) window labels, location assistance where applicable, all subject to compliance by FRANCHISEE with the terms of this Agreement. Such franchise fee is **NON-REFUNDABLE**.

F. FRANCHISEE may operate this Dealer Specialties® System franchise in additional contiguous counties to the Territory only if: (i) FRANCHISOR approves the addition of such

additional counties to the Territory in writing by an addendum to this Agreement signed by both parties; (ii) FRANCHISEE is not in default of this Agreement or any other agreements between FRANCHISOR and FRANCHISEE; and (iii) FRANCHISEE pays to FRANCHISOR a fee equal to five percent (5%) of the franchise fee, as an administrative fee for evaluating and documenting each such expansion of the Territory. The administrative fee is not a measure of damages due to FRANCHISEE's violation of this Agreement by operating, marketing or promoting outside of the Territory.

**G.** FRANCHISEE may operate a Dealer Specialties® Franchise in noncontiguous counties or territories to the Territory only if: (i) FRANCHISOR agrees to grant FRANCHISEE a separate franchise for such additional counties or territories; (ii) FRANCHISEE is not in default of this Agreement or any other agreements between FRANCHISOR and FRANCHISEE; (iii) FRANCHISEE and FRANCHISOR enter into a separate, then-current Franchise Agreement and a general release for claims up to such date (excluding indemnification claims); and (iv) FRANCHISEE pays to FRANCHISOR its then current initial franchise fee.

**H.** If FRANCHISOR determines, from data available to it, that FRANCHISEE is not actively and continuously marketing and selling to, and performing services for, automobile dealers throughout the Territory, then FRANCHISOR may reduce the Territory by removing the geographic area in which it determines that the FRANCHISEE is not active effective on written notice to FRANCHISEE, and FRANCHISEE will then no longer have the right to market, sell or perform services as part of the Business in such removed area and will not be entitled to any refunds or reimbursements. This Agreement will automatically be amended by FRANCHISOR's notice for such reduction of the Territory. FRANCHISOR will measure and evaluate FRANCHISEE's service in counties on a rolling and continuous 12-month period basis. Removal of a county from the Territory pursuant to this Section does not limit FRANCHISEE's right to operate in the remainder of the Territory.

**I. Corporate Accounts.** FRANCHISOR may develop a Corporate Accounts program for the benefit of Dealer Specialties® Businesses. A "**Corporate Account**" is a customer or a group of customers that operate under common ownership or control, through independent or related dealerships, manufacturers, organizations, systems, distribution networks, governmental units or some other association, that FRANCHISOR has arranged to provide Photos and/or Labels to, or for, or special pricing structures at multiple locations. Regardless of any contrary provision of this Agreement:

- 1. Best Efforts.** FRANCHISEE must use commercially reasonable best efforts to sell, perform, offer, market or advertise the products and services that FRANCHISOR designates to Corporate Accounts located in the Territory on the terms and conditions FRANCHISOR specifies for the program for those Corporate Accounts. These terms may vary from Corporate Account to Corporate Account depending on the situations and circumstances. FRANCHISOR may require that FRANCHISEE coordinate efforts with other Dealer Specialties® Businesses in order to provide interrelated services to Corporate Accounts.
- 2. Alternative Services.** FRANCHISEE recognizes that some Corporate Accounts, for whatever reason, may decide that they do not want to do business with

FRANCHISEE. If that happens, FRANCHISOR will cooperate with FRANCHISEE to the fullest extent FRANCHISOR deems practicable to resolve the Corporate Account's concerns. However, if after FRANCHISOR exercises what it believes to be reasonable commercial efforts to rectify the problem, the Corporate Account continues to refuse to do business with FRANCHISEE as a result of FRANCHISEE's alleged failure to comply with standards and specifications or alleged lapses in customer service, or whatever other justification offered by such Corporate Account, then FRANCHISOR may restrict FRANCHISEE from participating in all other current or future Corporate Account programs.

3. **Assignments.** FRANCHISOR will assign Corporate Accounts among Dealer Specialties® Businesses operating in a Territory based on its judgment of their capabilities to perform, amount of other Corporate Accounts, quality standards, compliance with the Franchise Agreement and such other factors as FRANCHISOR determines in its sole discretion.
4. **Terms and Conditions.** FRANCHISEE must honor the terms and conditions FRANCHISOR specifies and develops for Corporate Accounts, including the maximum pricing for products or services and any service schedules for any Corporate Account to be serviced.
5. **Eligibility.** Due to the need to insure adherence to the System Standards in performing services for Corporate Accounts, FRANCHISEE will not be eligible for assignment of Corporate Accounts unless FRANCHISEE is in full compliance with the Franchise Agreement.

## II. PROPRIETARY MARKS AND INFORMATION

A. FRANCHISEE acknowledges that the names and marks, "Dealer Specialties®" and "Get Auto®", are valid service and/or trademarks ("**Proprietary Marks**") solely owned by FRANCHISOR, that only the FRANCHISOR, or its designee has the right to use such Proprietary Marks and such other Marks, trade names and copyrights as may presently exist or be later acquired or developed by FRANCHISOR and franchised for use by FRANCHISEE, along with all ancillary signs, symbols or other indicia used in connection or conjunction with said Marks. FRANCHISEE further acknowledges that valuable goodwill is attached to such Marks and copyrights, and that he will use the same only in the manner and to the extent specifically franchised by this Agreement.

1. FRANCHISEE understands and agrees that his franchise under the Marks is NON-EXCLUSIVE, and the FRANCHISOR, in its sole discretion, has the right itself to operate businesses under the Marks, and to grant other franchises in, to and under such Marks on any terms and conditions FRANCHISOR deems fit; provided, however, that FRANCHISOR agrees to abide by the provisions of Paragraph I.B. of this Agreement.

2. FRANCHISEE expressly covenants that during the term of this Agreement, and after the expiration or termination thereof, FRANCHISEE shall not directly or indirectly contest or aid in contesting the validity or ownership of the Marks and copyrights.
3. FRANCHISEE agrees to promptly notify FRANCHISOR of any claim, demand, or suit based upon or arising from, or of any attempt by any other person, firm, or corporation, to use the Marks, in which FRANCHISOR has a proprietary interest. FRANCHISEE agrees also to promptly notify FRANCHISOR of any litigation instituted by FRANCHISEE, or by any person, firm, corporation or governmental agency against FRANCHISEE.
4. FRANCHISOR will indemnify, defend and hold FRANCHISEE harmless from and against all damages for which FRANCHISEE is held liable to third parties in any proceeding arising out of FRANCHISEE's authorized use of any of the Proprietary Marks, pursuant to and in compliance with this Agreement and the Operations Manual, to the extent resulting from claims by third parties that FRANCHISEE's authorized use of any of the Proprietary Marks, pursuant to and in compliance with this Agreement and the Operations Manual, infringes their trademark rights, and for all costs FRANCHISEE reasonably incurs in the defense of such claim in which it is named as a party, so long as FRANCHISEE has timely notified FRANCHISOR of the claim and has otherwise complied with this Agreement. Notwithstanding the foregoing, FRANCHISOR will not indemnify FRANCHISEE against the consequences of FRANCHISEE's use of the Proprietary Marks if such use was not in accordance with all requirements of this Agreement and the Operations Manuals. FRANCHISEE must provide written notice to FRANCHISOR of any infringement claim within ten (10) days of its receipt of such notice and it must tender the defense of the claim to FRANCHISOR. FRANCHISOR will have the right to defend any such claim and, if it does so, it will have no obligation to further indemnify or reimburse FRANCHISEE for any fees or disbursements of any attorney retained by it. If FRANCHISOR defends the claim, it will have the exclusive right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal final determination of the claim. In that connection, FRANCHISEE agrees to execute any and all documents and do such acts and things as FRANCHISOR reasonably deems necessary to carry out such defense, prosecution or settlement.
5. FRANCHISEE agrees that, in the event that the franchise relationship terminates, or if there is a determination by the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of this state or any court that any of the Marks licensed hereunder is invalid, FRANCHISEE will discontinue use of such Mark or Marks. If FRANCHISOR requires FRANCHISEE to stop using the Proprietary Mark Dealer Specialties® or Get Auto® and to substitute different trademarks for them (other than on account of the end of the franchise relationship), FRANCHISOR agrees to: (a) provide FRANCHISEE with at least ninety (90) days prior notice to enable it to use up letterhead, stationery and other disposable materials bearing the Proprietary Marks to ease the conversion and transition; and



(b) reimburse the FRANCHISEE for its reasonable, out-of-pocket verifiable cost of changing signage in the manner required by the FRANCHISOR. However, the FRANCHISOR will not be required to reimburse FRANCHISEE for costs it incurs in converting to the replacement mark or changing directory listings.

**B.** It is expressly recognized that any and all goodwill associated with all Marks and copyrights including specifically that associated with our Software, including any goodwill which might be deemed to have arisen through FRANCHISEE's activities, inures directly and exclusively to the benefit of FRANCHISOR, except as otherwise provided herein or by applicable law.

**C.** FRANCHISEE shall not use the words, "Dealer Specialties®" and "Get Auto®" as part of its corporate or other business name that is unrelated to the operation of the franchise and the Business. FRANCHISEE shall not license, register or purchase vehicles, fixtures, products, supplies or equipment, or perform any other activity or incur any obligation or indebtedness except in his or her individual, corporate or other business name. FRANCHISEE may, however, identify itself as a Dealer Specialties® franchise as prescribed in the Operations Manual.

**D.** FRANCHISEE understands and acknowledges that each and every detail of the Dealer Specialties® System is important to FRANCHISOR, to FRANCHISEE, and to other licensed Dealer Specialties® franchisees in order to develop and maintain uniformity of services and products, and therefore, to enhance the reputation, trade demand and goodwill of Dealer Specialties®, FRANCHISEE accordingly covenants:

- (i) To operate, advertise and promote his or her franchise under the name, "Dealer Specialties®", without prefix or suffix; and
- (ii) To adopt and use the Marks licensed hereunder solely in the manner prescribed by FRANCHISOR; and
- (iii) To carry out his or her Business in accordance with operational standards established by FRANCHISOR, and as set forth in both this Agreement and the Operations Manual, as changed from time to time in accordance with this Agreement.
- (iv) To use, and maintain in good repair, in accordance with the standards set forth in the Operations Manual, a vehicle which displays the "Dealer Specialties®" logo as prescribed in the Operations Manual.

**E.** In order to preserve the validity and integrity of the Marks and copyrights licensed herein, and to assure that FRANCHISEE is properly employing the same in the operation of its franchise, FRANCHISOR or its agents shall at all reasonable times during normal business hours and on five (5) days' prior written notice to FRANCHISEE, have the right to enter and inspect FRANCHISEE's premises, and, additionally, shall have the right to observe the manner in which FRANCHISEE is rendering its services, to confer with FRANCHISEE's employees and customers, and to select products and services for testing and evaluation in order to make certain

that they are satisfactory and within the quality control provisions established by the FRANCHISOR.

F. FRANCHISEE acknowledges that FRANCHISOR is the sole owner of all proprietary rights in and to the Dealer Specialties® System including the Marks and Software and each and every part thereof and all material and information now or hereafter revealed to FRANCHISEE under this Agreement relative to the Dealer Specialties® System (“**Proprietary Information**”). FRANCHISEE further acknowledges that the System, in its entirety, constitutes the Proprietary Information and that all aspects of the Dealer Specialties® System that are revealed to the FRANCHISEE are solely for the purpose of enabling FRANCHISEE to establish and operate the Business in accordance with the terms of this Agreement. Such Proprietary Information includes, but is not limited to, vehicle information processed with the Software (including source code and training and user manuals and materials as well as its content), training manuals, operations manuals, sales promotional aids, business forms, accounting procedures, marketing reports and informational bulletins.

G. FRANCHISEE shall use the Software for use in this Franchise only as directed from time to time by FRANCHISOR and shall comply with all usage instructions regarding the same as provided in the Operations Manual or any amendments thereto. FRANCHISEE shall not alter, reproduce, copy or otherwise modify the Software in any manner during the period of this Agreement except as requested from time to time by FRANCHISOR. FRANCHISEE further agrees not to rent, lease or otherwise transfer the Software or vehicle information processed with the Software to any third party nor otherwise allow access to the Software without the written consent of FRANCHISOR during the period of this Agreement. FRANCHISOR may modify, enhance and/or update the Software from time to time, and/or substitute new or replacement software. All such new, substituted, modified, enhanced or upgraded software will constitute part of the Software and will be subject to this Agreement. FRANCHISEE agrees to use only the Software in the version and as modified, replaced or upgraded as FRANCHISOR specifies from time to time.

H. FRANCHISEE further acknowledges that our Software is protected by United States and other countries copyright laws. FRANCHISEE must treat this Software like any other copyrighted material such as, by way of example but not limited to, books, musical scores, and recordings.

I. FRANCHISEE expressly acknowledges and agrees that this Franchise Agreement which FRANCHISEE is hereby freely entering into is a license to conduct a certain kind of business utilizing certain computer equipment and FRANCHISOR’s Software. FRANCHISEE further acknowledges and agrees that: (i) it has no ownership rights or claims, or any other rights of any kind, in or to vehicle information FRANCHISEE may produce in the conduct of his/her franchised Business, or any vehicle information transmissions (including all information and data contained within or otherwise generated in connection therewith) that are completed under this Franchise Agreement, in each and every case including but not limited to all vehicle descriptions, data fields, photos, images, videos and any and all other vehicle-related data (collectively, “**FRANCHISOR Data**”); (ii) FRANCHISOR is the sole and exclusive owner of all FRANCHISOR Data; and (iii) FRANCHISOR may use such FRANCHISOR Data for any lawful purpose, including, without limitation, (x) licensing, distributing and otherwise providing the FRANCHISOR Data to

FRANCHISOR's affiliates and to FRANCHISOR's other customers, licensees and business partners and/or (y) refining, supplementing, modifying, updating and testing the products and services offered by FRANCHISOR through the Dealer Specialties® Business (including but not limited to FRANCHISOR's Software), and FRANCHISOR shall be the sole and exclusive owner of any resulting improvements, refinements, supplements, modifications or updates derived from or associated with the FRANCHISOR Data, all of which may be used and disclosed by FRANCHISOR for the benefit of FRANCHISOR, its affiliates and its other customers, licensors, licensees and business partners.

### **III. TRAINING AND ASSISTANCE**

**A.** FRANCHISOR shall make available to FRANCHISEE or FRANCHISEE's designated manager and one other employee, and FRANCHISEE or its manager shall attend and successfully complete, prior to opening for business, a training and familiarization course of approximately four (4) days at such places and for such lengths of time as FRANCHISOR shall designate. Said training program shall be completed to the satisfaction of the FRANCHISOR, and shall cover all aspects of the operation of a Dealer Specialties® franchise including the use of our Software. FRANCHISOR shall provide hotel accommodations; all other expenses, including, but not limited to, travel and meals, during this period shall be borne by FRANCHISEE. Additional employees may attend training at the sole expense of FRANCHISEE.

**B.** FRANCHISEE shall hire all initial and subsequent employees for the franchised Business and be responsible for their training, the terms of their employment and compensation, and for any subsequent required training in the operation of the franchised Business.

**C.** FRANCHISOR shall make available to FRANCHISEE from time to time all improvements and additions to the Dealer Specialties® System, to the same extent and in the same manner as they are made available to FRANCHISOR's franchisees generally. FRANCHISOR may, but shall not be required to, provide a continuing advisory service which shall include, but not be limited to, consultation on promotional, business, or operational problems with analysis of FRANCHISEE's sales, marketing and financial data.

**D.** FRANCHISOR shall initially, and from time to time when available, offer to FRANCHISEE materials and bulletins on sales, marketing developments, products, and techniques either without charge or according to the then-current price lists. Further, FRANCHISOR may from time to time, but without obligation, provide, by way of example, advertisements for local advertisements.

**E.** FRANCHISOR shall furnish FRANCHISEE one Operations Manual (which includes explanation of our Software) for FRANCHISEE's use during the term of this Agreement and any extensions thereto. The Operations Manual, including the information and Software and any updates thereto, are confidential and remain FRANCHISOR's property. FRANCHISOR may furnish the Operations Manual in hard copy or allow access to it electronically over the internet, an intranet, or through such other means as FRANCHISOR deems appropriate.

F. FRANCHISEE agrees to participate in, and attend, FRANCHISOR-sponsored training programs, conferences, meetings and events and must attend at least 1 such session sponsored by FRANCHISOR in every calendar year and 12-month period. If FRANCHISEE does not do so, FRANCHISOR may:

- (i) For the first failure to so attend, FRANCHISOR may setoff and retain \$1,000 from any compensation or credit payable to FRANCHISEE;
- (ii) For the second failure to so attend, FRANCHISOR may setoff and retain \$2,000 from any compensation or credit payable to FRANCHISEE; and
- (iii) For the third and any subsequent failure to so attend, FRANCHISOR may setoff and retain \$3,000 from any compensation or credit payable to FRANCHISEE and/or terminate this Agreement immediately on written notice.

#### IV. ADVERTISING FEES AND CONTROLS

A. LOCAL ADVERTISING. All local advertising shall be at the discretion and expense of FRANCHISEE, subject to FRANCHISOR's approval of the advertising materials as more specifically provided for in Paragraph IV.C. below.

B. NATIONAL ADVERTISING.

1. FRANCHISEE shall further pay to FRANCHISOR three cents (\$0.03) for each VIN uploaded and processed ("**Advertising Fee**"). This Advertising Fee shall be used for primarily non-local/national type advertising programs ("**National Program**") as determined by FRANCHISOR. Payment of Advertising Fees accrued during a particular month shall be due to FRANCHISOR or FRANCHISOR's designee at the same time as the Royalty Fee (as defined herein) for the applicable month is due and payable.
2. National Program expenses shall be expended for media costs, commissions, fees, production costs, and other costs of all advertising which is published, broadcast, displayed, or otherwise disseminated either during the calendar year within which such sums are collected by FRANCHISOR, or during the immediately preceding or following calendar year. FRANCHISOR may appoint any qualified advertising agency on terms and conditions as it deems appropriate for the placement of such advertising. Furthermore, such advertising contributions shall also be used to pay fees or other charges assessed by any advertising agency as FRANCHISOR may designate for the placement of such advertisements.
3. FRANCHISEE understands and acknowledges that all advertising and promotion undertaken as part of the National Program is intended to maximize general public recognition and acceptance of the System for the benefit of all of the franchisees of FRANCHISOR including the FRANCHISEE. FRANCHISEE further understands and acknowledges that FRANCHISOR is under no obligation to develop

advertising and promotional materials that target specific geographic areas from contributions received for the National Program whatsoever and further that FRANCHISOR undertakes no obligation to ensure that any particular franchisee including the FRANCHISEE will benefit directly from the placement or conduct of such advertising and promotion.

4. FRANCHISEE understands and acknowledges that the advertising contributions collected by FRANCHISOR for the National Program may be used by FRANCHISOR to develop such program or programs which it may create for the benefit of all franchisees nationwide.
5. The FRANCHISEE agrees that the National Program advertising contributions may be used to meet any and all costs of maintaining, directing and preparing national, regional, or local advertising materials, programs and public relations activities, including the costs of preparing and conducting television, radio, newspaper, Internet, and other media programs employing advertising agencies and the like to assist therewith. However, no portion of the National Program advertising contributions may be used by the FRANCHISOR to: (a) pay, subsidize or defray the FRANCHISOR's overhead; (b) pay for the marketing and/or sale of franchises; or (c) pay the expenses of meetings with or communications to its franchisees.
6. The National Program contributions shall be accounted for separately from other funds and accounts of FRANCHISOR. The National Fund accounting shall be such that advertising expenditures will be made first from interest accrued in the fund, if any, with the remainder of the expenditures from the franchisee contributions.
7. If in any fiscal year the total contributions are not entirely spent, those contributions shall roll over and remain in the National Fund.

#### C. ADVERTISING APPROVAL

1. Recognizing the value of advertising and the importance of the standardization of advertising and promotion to the furtherance of the goodwill and public image of Dealer Specialties®, FRANCHISEE agrees to submit to FRANCHISOR or its designated agency, for its prior approval, all sales promotion materials and advertising to be used by FRANCHISEE, including, but not limited to, newspapers, radio and television advertising, specialty and novelty items, and Internet website materials. In the event written or oral disapproval of said advertising and promotional material is not received by FRANCHISEE from FRANCHISOR or its designated agency within fifteen (15) days from the date such material is submitted to and received by FRANCHISOR, said materials shall be deemed approved. Failure by FRANCHISEE to conform with the provisions herein and subsequent non-action by FRANCHISOR to this failure and default shall not be deemed as a waiver of further or additional failures and defaults. The submission of advertising to FRANCHISOR for approval shall not affect FRANCHISEE's right to determine the prices at which FRANCHISEE sells its products and services.

2. FRANCHISEE shall not advertise or use in advertising or any other form of promotion, the trademarks of FRANCHISOR without appropriate copyright and registration marks.
3. FRANCHISOR shall make camera-ready art used in National Advertising available to FRANCHISEE for use in local advertising upon request. FRANCHISEE shall only be charged the duplication cost for such art.

## **V. OPERATIONS MANUAL**

**A.** In order to protect the reputation and goodwill associated with the Marks and to maintain the uniform standards of operation thereunder, FRANCHISEE shall conduct its Dealer Specialties® Business in strict accordance with FRANCHISOR's Operations Manual. Whenever the phrase "Operations Manual" is used in this Agreement, it shall mean the Operations Manual made available to FRANCHISEE under the terms of this Agreement and specifically this Article V. FRANCHISOR will make the Operations Manual available to FRANCHISEE by whatever means it decides from time to time, including via intranet, extranet, or internet access; through dedicated websites; or other means. The Operations Manual subject matter may include without limitation, matters such as: Software use instructions, forms, cash control, safety, use of Marks, insurance requirements, dress code or professional appearance requirements; advertising formats, and customer complaint procedures. Any modifications of the Operations Manual supersedes and takes precedence over all prior communications and in the event of a dispute, the provisions of the Operations Manual at the FRANCHISOR's headquarters shall control. Should FRANCHISEE for any reason lose or fail to return any physical copy of the Operations Manual, FRANCHISEE shall pay to FRANCHISOR the sum of Two Hundred and Fifty Dollars (\$250) for its replacement.

**B.** FRANCHISEE shall at all times treat as confidential, and shall not at any time disclose, copy, duplicate, record or otherwise reproduce, in whole or in part, or otherwise make available to any unauthorized person or source, the contents of the Operations Manual and further, shall it be deemed necessary by FRANCHISOR, shall execute a separate non-disclosure document upon delivery of access to the Operations Manual.

**C.** The Operations Manual shall at all times remain the sole property of FRANCHISOR and access shall be furnished to FRANCHISEE for its use only during the period of this Agreement and extensions thereto and shall promptly be returned, or access revoked, upon the expiration or other termination of this Agreement.

**D.** FRANCHISOR may, from time to time, revise the content of said Manual so as to convey to FRANCHISEE advancements and new developments in sales, marketing, operational techniques and other items and procedures relevant to the operation of a Dealer Specialties® Business. Changes to the Manual shall not: (1) materially alter or impair any of the FRANCHISEE's rights or (2) materially decrease the FRANCHISOR's rights and/or responsibilities, under this Agreement.

## **VI. ACCOUNTING AND RECORDS**

**A.** To enable FRANCHISEE and FRANCHISOR to best ascertain their costs and maintain an economical method of operation, FRANCHISEE agrees to keep and preserve, during the term of the franchise granted hereunder, full, complete and accurate books and accounts in an accounting form and manner as prescribed in the Operations Manual.

**B.** FRANCHISEE shall submit to FRANCHISOR such periodic reports, forms and records as specified, and in the manner and at the time as specified, in the Operations Manual. This shall generally include, but is not limited to, a monthly accounting of Labels, and an electronic transmission of all used vehicle information twice each week in the format provided in the Operations Manual. The monthly accounting of Labels shall report number of Labels sold, identified by county, due no later than the fifteenth (15th) day of each month for those Labels sold in the previous month.

**C.** FRANCHISOR's representatives shall have the right at any reasonable time, during normal business hours and on five (5) days' prior written notice to FRANCHISEE, to inspect FRANCHISEE's books, records and cash control devices or systems.

## **VII. STANDARDS OF QUALITY**

**A.** FRANCHISEE recognizes that it is essential to the proper marketing of a Dealer Specialties® Business and to the preservation and promotion of its reputation and acceptance by the public at large, that uniform standards of quality and of appearance be maintained; that uniform size, quality, texture, absorbency, strength, finish and appearance, displaying FRANCHISOR's various Marks, be used in distribution to the public. FRANCHISEE therefore agrees, as part of the consideration for this Agreement, that FRANCHISEE will at all times dispense, sell, or offer for sale to the public, only such articles, services or other products (whatsoever) as shall meet the reasonable specifications and standards from time to time designated in writing by FRANCHISOR for sale and service from the Territory of the Dealer Specialties® Business franchised herein; and FRANCHISEE shall sell, serve and dispense all such articles, services and other products as shall meet all such specifications and standards designated by FRANCHISOR.

**B.** FRANCHISEE shall purchase all products, services, supplies, and materials required for the operation of the Dealer Specialties® Business, from manufacturers, suppliers, or distributors designated by FRANCHISOR or from such other suppliers who shall meet all of FRANCHISOR's consistently applied specifications and standards as to quality, composition, finish, appearance, and service, and who shall adequately demonstrate their capacity and facilities to supply the FRANCHISEE's needs in the quantities at the times, and with the reliability requisite to an efficient operation.

- 1.** In the event FRANCHISEE intends to purchase products, services, supplies or materials from manufacturers, suppliers or distributors other than those designated by FRANCHISOR, FRANCHISEE shall, prior to purchasing any such products, services, supplies and materials, give FRANCHISOR written "Notice of Intended

Change of Supplier” on the form provided for that purpose in the Operations Manual.

2. In the event FRANCHISOR rejects FRANCHISEE’s intended new manufacturer, supplier or distributor, FRANCHISOR must, within one hundred-eighty days (180) days of the receipt of FRANCHISEE’s “Notice of Intended Change of Supplier”, notify the FRANCHISEE in writing of its rejection. Said “Notice of Rejection” must list in detail all areas wherein the intended supplier fails to meet FRANCHISOR’s product specifications and standards or other requirement as contained herein. Failure to so notify FRANCHISEE within such time period shall constitute a waiver of any and all objections by FRANCHISOR to the previously named undesignated manufacturer, supplier or distributor submitted by FRANCHISEE. FRANCHISOR may continue from time to time inspect any manufacturer’s, supplier’s or distributor’s facilities and products to assure proper production, processing, packaging, storing and transportation of products, services, supplies or material to be purchased from the manufacturer, supplier or distributor by the FRANCHISEE. Permission for such inspection shall be a condition of the continued approval of such manufacturer, supplier or distributor.
  3. FRANCHISEE may, within thirty (30) days of receipt of FRANCHISOR’s “Notice of Rejection” of the undesignated manufacturer, supplier or distributor, invoke the provisions relating to arbitration contained in this Agreement. The cost of any such arbitration shall be borne by the losing party.
  4. All intended and previously undesignated manufacturers, suppliers or distributors, as a condition precedent to acceptance, must agree to permit agents or representatives of FRANCHISOR to inspect their facilities, both initially and from time to time as may reasonably be required, to assure FRANCHISOR of the proper production, processing, packaging, storing and transportation of the products, services, supplies or materials to be purchased by FRANCHISEE.
  5. FRANCHISOR may require that samples from the supplier be delivered to FRANCHISOR for commercially reasonable testing prior to approval and use. A charge not to exceed the actual cost of testing may be made by FRANCHISOR and shall be paid by the supplier or FRANCHISEE.
  6. It is expressly understood that the FRANCHISEE is not required to have the Dealer Specialties® materials produced through the FRANCHISOR’s designees, so long as the quality of the work performed elsewhere complies with the consistently applied standards and specifications prescribed by the FRANCHISOR. Where the FRANCHISEE does not use the procedures set forth in Paragraph VII.B. for the use of alternate sources of supplies and services, FRANCHISOR agrees that the production work performed by it or under its supervision will be done at the customary trade price.
- C. FRANCHISEE will secure and maintain in force in its name all required licenses, permits and certificates relating to the operation of the Dealer Specialties® Business. FRANCHISEE will



operate the Dealer Specialties® Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, privacy, worker's compensation insurance, unemployment insurance, construction permitting, workplace safety, and withholding and payment of federal and state income taxes, social security taxes and sales taxes. FRANCHISEE will, in all dealings with customers, suppliers, FRANCHISOR and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. In this respect, in all dealings with FRANCHISOR and FRANCHISEE's customers, FRANCHISEE will use common courtesy, treat FRANCHISOR and customers with respect and not engage in harassing, disreputable or discourteous behavior. FRANCHISEE agrees to refrain from any business, advertising practice, or conduct which may be injurious to FRANCHISOR's business and the goodwill associated with the System, the Marks and other Dealer Specialties® Businesses.

## VIII. MODIFICATION OF THE SYSTEM

A. FRANCHISEE recognizes and agrees that from time to time hereafter FRANCHISOR may change or modify the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques, and that FRANCHISEE will accept, use and display for the purpose of this Agreement any such changes in the Dealer Specialties® System, including new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment or new techniques, as if they were part of this Agreement at the time of execution hereof. Subject to Section II.A.5. of this Agreement, FRANCHISEE will make such expenditures as such changes or modifications in the System may reasonably require, and do so within a reasonable time.

B. If at any time, FRANCHISOR decides to expand the Business by offering additional products or services, FRANCHISOR may, but is not required to, offer those products or services to FRANCHISEE for resale to customers.

## IX. CONTINUING SERVICES AND ROYALTY FEE

A. FRANCHISEE shall pay to FRANCHISOR, or FRANCHISOR's designee, so long as this Agreement shall be in effect, a monthly continuing service and royalty fee (the "**Royalty Fee**") equal to the greater of: (a) one hundred dollars (\$100) per Dealer Lot, or (b) the total of monthly Label Fees, Clipping Fees and Photo Production Fees (each as defined below). FRANCHISOR will invoice FRANCHISEE by the fifteenth (15th) day of each month for the Royalty Fee. A "**Dealer Lot**" is a single-address location of a licensed motor vehicle dealership that is under contract with FRANCHISEE.

B. The "**Label Fee**" shall be eighty-three cents (\$0.83) for the submission and processing of each unique VIN. Without permitting the provision of services outside the Territory or limiting any other remedy of FRANCHISOR, if the dealer location for which the applicable Label is produced is outside the Territory, the Label Fee for that Label shall be doubled. For the avoidance of doubt, Label Fees are due for each VIN uploaded and processed, whether or not a Label is actually printed or provided electronically. FRANCHISEE shall submit the VIN for each vehicle serviced to the Software in accordance with the Operations Manual.

**C.** The Clipping Fee shall be sixty-five cents (\$0.65) per each clipping of a photograph from one source to another. FRANCHISEE may choose to opt-out of the clipping service by written notice to FRANCHISOR.

**D.** The Photo Production Fee shall be \$1.75 per vehicle for a customary number of Photos for syndication, not to exceed 35 Photos per vehicle.

**E.** Each of the Label Fee, the Clipping Fee, the Photo Production Fee and the Advertising Fee may be increased by FRANCHISOR periodically but no more than: (i) once each twelve (12) months (on or about each July 1); and (ii) the increase in the Consumer Price Index-All Urban Consumers, as specified by the United States Bureau of Labor Statistics, measured from the index in effect at the time of the last change, rounded to the nearest whole cent.

**F.** The Royalty Fees received by FRANCHISOR pursuant to this paragraph shall not be deemed trust funds nor shall FRANCHISOR be required to segregate such funds in any way, but such Royalty Fees shall be deemed general funds of FRANCHISOR for all purposes. FRANCHISOR may set-off against any amounts it (or any of its affiliates) owes FRANCHISEE, any amounts FRANCHISEE owes it or its affiliates.

**G.** FRANCHISEE shall further supply to FRANCHISOR on or before the fifteenth (15th) day of each month, in the form approved by FRANCHISOR, a full and accurate report of all gross sales and an operating statement of receipts and disbursements for the last preceding calendar month. In addition, within forty-five (45) days after the close of each six (6) month period, FRANCHISEE shall deliver to FRANCHISOR a Profit and Loss Statement for the six (6) month period including the corresponding Balance Sheet. Such statements shall be true and correct and prepared in accordance with generally accepted accounting principles applied on a consistent basis.

**H.** In the event FRANCHISEE fails to pay any amounts due the FRANCHISOR within fifteen (15) days after it is due, FRANCHISEE shall pay interest on the amount due at the rate of one-and-a-half percent (1.5%) per month for each and every month that said amount is not paid, but in no event shall FRANCHISEE be compelled to pay interest at a rate greater than the maximum permitted by applicable law.

**I.** FRANCHISEE shall maintain his Dealer Specialties® books and records including but not limited to checkbooks, deposit slips, bank statements and canceled checks separate and apart from any other business or personal activity than the franchised Business and shall not commingle the funds derived from the Dealer Specialties® Business with any non-Dealer Specialties® related fund. All such records shall be maintained for at least a period of five (5) years after the close of FRANCHISEE's fiscal year end to which they relate. If FRANCHISEE fails or refuses to comply with FRANCHISOR's audit and inspection rights under this Agreement, FRANCHISEE further authorizes (1) any officer or employee of the United States having care, custody, or control of any income tax return executed by FRANCHISEE, either personally or in any business capacity during the term of this Agreement and any extensions thereto, to disclose said return or returns to FRANCHISOR upon presentation to said officer or employee of the United States a copy of this Agreement, and (2) disclosure to FRANCHISOR, upon presentation of a copy of this Agreement to any officer of any bank, financial institution, vendor, or credit card company in which there is

maintained a checking, savings, or other account upon which FRANCHISEE is a signatory, either as an individual or in any other business capacity of all information regarding said account(s) which FRANCHISOR requests to complete any audit or examination hereunder.

**J.** FRANCHISEE will pay an administrative fee of \$75 to FRANCHISOR to send replacement Operations Manuals, franchise agreements, disclosure documents or other materials that FRANCHISEE loses, misplaces or that are damaged.

**K.** All invoices due FRANCHISOR are due and payable on receipt.

**L.** In the event any check FRANCHISEE tenders to FRANCHISOR for payment is returned or there are insufficient funds in such account, or any electronic funds transfer from FRANCHISEE's account is denied for insufficient funds or any charge to FRANCHISEE's credit card is declined in connection with any payment to FRANCHISOR, FRANCHISEE must pay to FRANCHISOR its then-current fee for returned checks or insufficient funds, which currently is \$100 per occurrence. The fee is due immediately on any dishonored checks or notice of rejection or denial for any electronic funds transfer or credit card transactions.

**M.** FRANCHISOR may set-off from any amounts that FRANCHISOR may owe FRANCHISEE or any amount FRANCHISEE owes FRANCHISOR or its affiliates, for any reason whatsoever, including without limitation, the Royalty Fees, late payment interest, amounts FRANCHISEE owes to FRANCHISOR or its affiliates for purchases or services or for any other reason. Thus, payments that FRANCHISOR makes to FRANCHISEE may be reduced, in FRANCHISOR's discretion, by amounts that FRANCHISEE owes to FRANCHISOR or its affiliates from time to time. In particular, FRANCHISOR may retain (or direct to its affiliates) any amounts that FRANCHISOR has received from FRANCHISEE's account as a credit and payment against any amounts that FRANCHISEE may owe to FRANCHISOR, or its affiliates, at any time. FRANCHISOR may do so without notice to FRANCHISEE at any time. However, FRANCHISEE does not have the right to offset payments owed to FRANCHISOR for amounts purportedly due to FRANCHISEE from FRANCHISOR. FRANCHISOR also may suspend services to FRANCHISEE, and suspend FRANCHISEE's participation in the sale of other products or services or Corporate Accounts, during any time period in which FRANCHISEE is in violation of this Agreement, on 10 days' prior notice.

## **X. INSURANCE**

**A.** FRANCHISEE shall procure before the commencement of business, and maintain in full force and effect during the entire term of this Agreement, at FRANCHISEE's sole expense, an insurance policy or policies protecting FRANCHISEE and FRANCHISOR and their officers and employees against any loss, liability or expense whatsoever from fire (including extended coverage), personal injury, death, property damage, products liability or theft, arising or occurring upon or in connection with such premises or by reason of FRANCHISEE's operation upon, from, or occupancy of, such premises. FRANCHISOR shall be an additional named insured in such policy or policies (Workman's Compensation excepted.) Such policy or policies shall be written by a responsible insurance company or companies reasonably satisfactory to FRANCHISOR.

FRANCHISEE shall obtain, and at all times during the term of this Agreement maintain in full force and effect, and pay the premiums for general liability insurance, which includes products and bodily injury and property damage in the amount of not less than Five Hundred Thousand Dollars (\$500,000) combined single limit. If required by law in the state in which the franchise is located, FRANCHISEE shall obtain, and at all times during the terms of this Agreement maintain in force and effect and pay the premiums for such workers compensation insurance coverage of his franchise in the amount specified by that state's law.

The insurance afforded by the policy or policies respecting liability shall be primary and not be limited in any way by reason of any insurance which may be maintained by FRANCHISOR. Within thirty (30) days of the signing of this Agreement, but in no event later than the day before the date on which FRANCHISEE first opens for business, the Certificates of Insurance showing compliance with the foregoing requirements shall be furnished by FRANCHISEE to FRANCHISOR for approval. Such certificate shall state that said policy or policies will not be canceled or altered without at least ten (10) days' prior written notice to FRANCHISOR. Maintenance of such insurance, and the performance by FRANCHISEE of the obligations under this Paragraph, shall not relieve FRANCHISEE of liability under the indemnity provision set forth in this Agreement. Minimum limits, as required above, may be modified from time to time, as conditions require, by ninety (90) days' advance written notice to FRANCHISEE. FRANCHISOR need not be included in any fire policy if FRANCHISOR has no interest in any premises or the equipment therein as owner, lessee, mortgagee or otherwise.

**B.** Should FRANCHISEE, for any reason, not procure and maintain such insurance coverage as required by this Agreement, then FRANCHISOR shall have the right and authority, at its option, to immediately procure such insurance upon notice, and FRANCHISEE will pay and reimburse FRANCHISOR for all costs of same.

## **XI. TERM AND RENEWAL**

**A.** This Agreement shall be effective and binding from the date of its execution by both parties, and the term of this franchise shall continue for five years from the date of execution of this Agreement.

**B.** At the end of this term, if FRANCHISEE is not then in default of its obligations hereunder, FRANCHISEE may renew its franchise for an additional term if FRANCHISEE meets all of the following conditions:

- 1.** FRANCHISEE shall send to FRANCHISOR its written intent to renew at least one hundred eighty (180) days, but not more than 1 year, prior to the expiration of the initial term granted herein;
- 2.** FRANCHISEE executes and delivers to FRANCHISOR, within thirty (30) days of receipt, a new franchise agreement on the same terms and conditions as those on which Dealer Specialties® franchises are then being granted, but no additional franchise fee or renewal fee shall be required;

3. FRANCHISEE executes and delivers to FRANCHISOR, within thirty (30) days of receipt, a general release in form satisfactory to FRANCHISOR releasing all and any claims against FRANCHISOR and its shareholders, officers, directors, employees, affiliates, successors and assigns for anything arising prior to the date of the release.

C. FRANCHISEE's failure to timely meet all of the foregoing conditions for renewal constitutes an irrevocable election not to renew the franchise or the Agreement and all such rights will be automatically forfeited.

## XII. COVENANTS

A. During the term of this Franchise Agreement or any extension or renewal thereof, neither FRANCHISEE nor any owner of FRANCHISEE (collectively, the "**Franchisee Parties**") shall, either directly or indirectly, for itself or on behalf of or in conjunction with any other entity or person, own, maintain, engage in, participate or have any interest in the operation of any Competing Business. A "**Competing Business**" is any business or enterprise that offers, sells, markets, promotes or provides to automobile dealers products or services for vehicle photography, vehicle window labeling or stickers, Vehicle Data Distribution, or any other product or service similar to those provided by the Business. For the avoidance of doubt, another Dealer Specialties® franchise is not a Competing Business.

B. Each of the Franchisee Parties acknowledges that it would be impossible after having received extensive training and consultation in the use of the Software and the Dealer Specialties® System, to operate any Competing Business without using or disclosing some or all of the practices, secrets, methods of operation and copyrighted information imparted to the FRANCHISEE by FRANCHISOR. Accordingly, each of the Franchisee Parties further covenants that during the term of this Agreement, or any extensions or renewals thereof, and for a period of two (2) years thereafter, regardless of the cause of termination or expiration, no Franchisee Party shall (directly or indirectly):

1. Divert, or attempt to divert, any business of, or any customers of, the Dealer Specialties® Business franchised hereunder, nor those of any other Dealer Specialties® franchise, nor those of FRANCHISOR or FRANCHISOR's affiliates, to any Competing Business, by direct or indirect inducement or otherwise;
2. Employ, or seek to employ, any person employed by FRANCHISOR or any other person who is at the time operating or employed by or at any other Dealer Specialties® Business, or otherwise directly or indirectly induce such persons to leave their employment thereat;

C. Each of the Franchisee Parties further covenants that, given the extent of individual contact with clients and the mobile nature of the Dealer Specialties® Business, for a period of two (2) years after the termination or expiration of the franchise or this Agreement, regardless of the cause of termination, he shall not, either directly or indirectly, for himself, or on behalf of or in conjunction with another person or entity, own, maintain, engage in, or participate in the operation of any Competing Business within: (i) the Territory and the geographic area surrounding the

Territory within or within fifty (50) miles of the Territory; (ii) any territory, and the geographic area surrounding any such territory within fifty (50) miles of any such territory, in which FRANCHISOR or its affiliate, or any other franchisee of the Dealer Specialties® System, operates the Business.

**D.** No Franchisee Party shall during the term of this Agreement or after its termination or expiration communicate or divulge to any third party any information or knowledge concerning the methods of manufacture, preparation, promotion, sale or distribution used in a Dealer Specialties® Business, nor shall FRANCHISEE disclose or divulge in whole or in part any trade secrets or private processes of FRANCHISOR or its affiliated companies, including, without limitation, the Software.

**E.** FRANCHISEE shall cause all employees to enter into and abide by a Confidentiality and Noncompetition Agreement in the form provided in the Confidential Operations Manual and/or otherwise approved by FRANCHISOR.

**F.** Covenants contained in this Paragraph shall be construed as severable and independent, and shall be interpreted and applied consistent with the requirements of reasonableness and equity. Any judicial reformation of these covenants consistent with this interpretation shall be enforceable as though contained herein, and shall not affect any other provisions or terms of this Agreement.

**G.** Notwithstanding the foregoing, the FRANCHISEE may market and sell tangible products other than Labels to vehicle dealers (i.e., floor mats, air fresheners, business forms, etc.) without violating the Franchise Agreement.

**H.** Under the Dealer Specialties® System, Vehicle Data Distribution includes the development and/or hosting of websites and other internet advertising and marketing services in association with vehicle dealers and internet merchandising sites (such as Cars.com®, AutoTrader.com®, CarGurus®, etc.). FRANCHISOR may authorize the use of its Software with other software (but only other software authorized by FRANCHISOR) to assemble vehicle data to create advertisements and publish vehicle photos and vehicle information on internet merchandising sites (collectively, “**Online Ads**”) for dealer customers. FRANCHISEE shall only use such software as FRANCHISOR authorizes to create Online Ads, and will only utilize vehicle information assembled with the Software in connection with Online Ads.

### **XIII. TERMINATION AND DEFAULTS**

**A.** FRANCHISEE shall be in default under this Agreement on the occurrence of any of the following: in the event that FRANCHISEE shall become insolvent or make an assignment for the benefit of creditors, or if a petition in bankruptcy is filed by FRANCHISEE, or such a petition is filed against and consented to by FRANCHISEE, or if FRANCHISEE is adjudicated a bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of FRANCHISEE or other custodian for FRANCHISEE’s business or assets is filed and is consented to by FRANCHISEE, or a receiver or other custodian is appointed, or if proceedings for composition with creditors under any state or federal law should be instituted by or against FRANCHISEE, or if the real or personal property of FRANCHISEE shall be attached or levied upon by any sheriff,

marshal, or constable and shall not be promptly cured. On the occurrence of any such defaults, all rights granted to FRANCHISEE hereunder shall thereupon immediately and automatically terminate without notice to FRANCHISEE.

**B.** Except as provided in XIII.A. of this Agreement, if FRANCHISEE shall be in default under the terms of this Agreement, and such default shall not be cured within ten (10) days after receipt of written notice from FRANCHISOR, then in addition to all other remedies at law or in equity, FRANCHISOR may immediately terminate this Agreement. In the event FRANCHISEE is in default under the terms of this Agreement two (2) or more times within any twelve (12) month period, and FRANCHISOR has notified FRANCHISEE with respect to such defaults, FRANCHISOR may terminate this Agreement immediately by written notice. FRANCHISEE shall be in default under this Agreement:

1. If FRANCHISEE fails, refuses, or neglects to promptly pay to FRANCHISOR any monies owing to FRANCHISOR on date due; or
2. If FRANCHISEE fails to submit reports or financial data which FRANCHISOR requires under this Agreement; or
3. If FRANCHISEE fails to comply with any of the requirements imposed upon it by this Agreement, in the Operations Manual, or other such operational memoranda issued by FRANCHISOR, or uses bad faith in carrying out the terms of the franchise; or
4. If FRANCHISEE fails to actively and continuously operate the Business in the Territory for any period of six (6) months or more or if FRANCHISEE does not attend any of FRANCHISOR's events, sessions, conferences or meetings during only three (3) calendar years or over any three (3) 12-month periods.

**C.** For the purposes of this Section, receipt of notice is defined in Paragraph XXIV.

#### **XIV. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION OR TERMINATION**

**A.** Upon termination or expiration of this Agreement, FRANCHISEE shall immediately cease to be a franchised Dealer Specialties® Business and:

1. FRANCHISEE shall promptly pay FRANCHISOR all sums owing from FRANCHISEE to FRANCHISOR under the terms of this Agreement. Said sums shall include all damages, costs and expenses, including reasonable attorney's fees, incurred by FRANCHISOR by reason of default on the part of FRANCHISEE, whether or not such occur prior to or subsequent to the termination or expiration of the franchise, and said sums shall include all costs and expenses, including reasonable attorneys' fees, incurred by FRANCHISOR in obtaining injunctive or other relief to enforce the provisions of this contract.
2. FRANCHISEE shall immediately thereafter cease to use, by advertising or in any manner whatsoever, the Marks, including, without limitation, the name "Dealer

Specialties®,” and any forms, manuals, slogans, signs, marks, symbols, or devices used in connection with the operation of a Dealer Specialties® Business. FRANCHISEE shall not represent or advertise that FRANCHISOR or FRANCHISEE were formerly parties to this Franchise Agreement, or that FRANCHISEE did business under the trademarks or name of FRANCHISOR.

3. FRANCHISEE shall take such commercially reasonable action as shall be necessary to cancel any assumed name or equivalent registration which contains the name “Dealer Specialties®” or any other trademark of FRANCHISOR, and FRANCHISEE shall furnish FRANCHISOR evidence satisfactory to FRANCHISOR of compliance with this obligation within thirty (30) days after said termination.
4. FRANCHISEE shall assign to FRANCHISOR all his right, title and interest in and to FRANCHISEE’s telephone numbers and Internet domain names relating to the franchise.

**B.** No right or remedy herein conferred upon or reserved to FRANCHISOR is exclusive of any other right or remedy herein or by law or equity provided or permitted; but each shall be cumulative with every other right or remedy given hereunder.

#### **XV. COMMENCEMENT AND CONTINUITY OF OPERATION**

**A.** FRANCHISEE recognizes that continuous availability of the Dealer Specialties® products and services to the public is essential to the adequate promotion of the Dealer Specialties® Business and that any failure to provide such availability affects the FRANCHISOR both locally and nationally.

**B.** FRANCHISEE therefore recognizes an obligation to commence operations not later than ninety (90) days after the approval of this Agreement by the FRANCHISOR. If the FRANCHISEE fails to commence operation as herein provided, and to continuously maintain said operation, such failure shall be considered a default, and FRANCHISOR may terminate this Agreement as provided herein.

#### **XVI. TRANSFERABILITY OF INTEREST**

**A.** This Agreement and all rights hereunder may be assigned and transferred by FRANCHISOR, without requirement of any notice to or consent by FRANCHISEE, and shall be binding upon and inure to the benefit of FRANCHISOR’s successors and assigns.

**B.** This Agreement and all rights hereunder, may be assigned and transferred by FRANCHISEE and, if so, shall be binding upon and inure to the benefit of FRANCHISEE’s successors and assigns, subject to the following conditions and requirements:

1. Neither FRANCHISEE nor any of its owners without FRANCHISOR’s prior written consent, shall, by operation of law or otherwise, sell, assign, transfer, convey, give away, or encumber his interest in this Agreement, or his interest in



the franchise granted hereby, or his interest in FRANCHISEE or any entity that owns any interest in FRANCHISEE, nor offer, permit, or suffer the same. Any purported assignment not having the aforesaid consent shall be null and void and shall constitute a material default hereunder.

2. FRANCHISOR shall not unreasonably withhold its consent to any transfer referenced in Paragraph XVI.B.1. of this Agreement when requested in writing; provided, however, that the following conditions and requirements shall first be met to the full satisfaction of FRANCHISOR:
  - a) If FRANCHISEE is an individual or partnership and desires to assign and transfer his rights to a corporation:
    - (1) transferee corporation shall be newly organized, and its charter shall provide that its activities are confined exclusively to acting as a Dealer Specialties® Business as franchised under this Agreement;
    - (2) FRANCHISEE shall be, and shall remain, the owner of the majority stock interest of the transferee corporation;
    - (3) The individual FRANCHISEE (or, if FRANCHISEE is a partnership, one of the partners) shall be, and shall remain, the principal executive officer of the corporation;
    - (4) The transferee corporation shall enter into a written assignment with FRANCHISEE and FRANCHISOR assuming all of FRANCHISEE's obligations hereunder in a form reasonably satisfactory to FRANCHISOR;
    - (5) All shareholders of the transferee corporation shall enter into a written agreement, in a form reasonably satisfactory to FRANCHISOR, jointly and severally guaranteeing the full payment and performance of the transferee corporation's obligations to FRANCHISOR;
    - (6) Each stock certificate of the transferee corporation shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to all restrictions imposed upon assignments by this Agreement;
    - (7) No new shares of common or preferred voting stock in the transferee corporation shall be issued to any person, partnership, trust, foundation, limited liability company, other business association or corporation without obtaining FRANCHISOR's prior written consent, which consent shall not be unreasonably withheld or delayed; and

- (8) All accrued money obligations of FRANCHISEE to FRANCHISOR, its subsidiaries or assignees, shall be satisfied prior to assignment or transfer.
- b) If the transfer is to a limited liability company, the same transfer conditions shall be applied as in XVI.B.2(a) above, notwithstanding that:
- (1) FRANCHISEE shall be, and shall remain, the owner of the majority interest of the transferee limited liability company;
  - (2) All members of the transferee limited liability company shall enter into a written agreement, in a form satisfactory to FRANCHISOR, jointly and severally guaranteeing the full payment and performance of the transferee limited liability company's obligations to FRANCHISOR;
  - (3) The individual FRANCHISEE (or, if FRANCHISEE is a partnership, one of the partners) shall be, and shall remain, the principal executive officer of the limited liability company;
  - (4) No new membership in the transferee limited liability company shall be issued to any person, partnership, trust, foundation, limited liability company, other business association or corporation without obtaining FRANCHISOR's prior written consent.
- c) If the transfer, other than such transfer as is authorized under Paragraph XVI.B.2(a) or (b) of this Agreement, is consummated alone or together with other related previous, simultaneous, or proposed transfers, would have the effect of transferring control of the franchised Business:
- (1) The transferee(s) shall be of good moral character and reputation, and shall have a good credit rating and competent business qualifications reasonably acceptable to FRANCHISOR. FRANCHISEE shall provide FRANCHISOR with such information as FRANCHISOR may require to make such determination concerning each such proposed transferee(s).
  - (2) The transferee(s), or such other individual(s) as shall be the actual manager of the franchise, shall have successfully completed and passed the training course then in effect for franchisees, or otherwise demonstrated to FRANCHISOR's satisfaction, sufficient ability to operate the franchise being transferred.
  - (3) The transferee(s), including all shareholders, members and partners of the transferee(s), shall jointly and severally execute both or either (as FRANCHISOR shall direct):

- a. A Franchise Agreement and other standard ancillary agreements with FRANCHISOR, on the current standard forms being used by FRANCHISOR, and/or
  - b. A written assignment with FRANCHISEE and FRANCHISOR, (in a form satisfactory to FRANCHISOR) assuming all of FRANCHISEE's obligations hereunder.
- (4) In the event FRANCHISOR is reasonably unsatisfied with the qualifications of the transferee(s) as required in the foregoing provisions of Paragraph XVI.B.2(c)(1), FRANCHISEE shall, upon request of FRANCHISOR, enter into a written agreement with FRANCHISOR, (in a form reasonably satisfactory to FRANCHISOR) guaranteeing the full payment and performance of the obligations assumed by or assigned to transferee(s).
- (5) The term of said agreements, required pursuant to subparagraph XVI.B.2(c)(3) and (4) shall be for the unexpired term of this Agreement and for any extensions or renewals as provided herein.
- (6) All accrued money obligations of FRANCHISEE to FRANCHISOR, its subsidiaries, affiliates or assignees, shall be satisfied prior to assignment or transfer, and FRANCHISEE shall not be in default under the terms of this Agreement.
- d) If transferee is a corporation or an limited liability company:
  - (1) Each stock certificate or certificate evidencing ownership of the transferee shall have conspicuously endorsed upon it a statement that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement, and the governing documents for such corporation or limited liability company shall also provide as such: and
  - (2) No new shares of common or preferred voting stock in the transferee corporation or ownership interests in the limited liability company shall be issued to any person or entity without obtaining FRANCHISOR's prior written consent, which consent shall not be unreasonably withheld or delayed.
3. FRANCHISEE shall have fully paid and satisfied all of FRANCHISEE's obligations to FRANCHISOR, and the transferee or FRANCHISEE shall have fully paid to FRANCHISOR a transfer fee of Five Thousand Dollars (\$5,000.00) for the training course, supervision, and administrative, accounting, legal, and/or other FRANCHISOR expenses in connection with the transfer. This transfer fee does not apply to an assignment of interest to a corporation from the FRANCHISEE under Paragraph XVI.B.2(a) or to a limited liability company under Paragraph

XVI.B.2(b) of this Agreement, for which a fee of \$100 is payable. Such \$100 fee also must be paid by FRANCHISEE for transactions or events resulting in a change in the names of the FRANCHISEE party or parties to this Agreement (not otherwise constituting a transfer under subsection XVI.B.2(c)).

No sale, assignment, transfer, conveyance, encumbrance, or gift of any interest in this Agreement, or in the franchise granted thereby, shall relieve FRANCHISEE, or the shareholders or partners participating in any transfer, of the obligations of the covenant not to compete contained in Paragraph XII, except where FRANCHISOR shall expressly authorize such in writing.

## **XVII. DEATH OF FRANCHISEE**

**A.** In the event of the death of an individual FRANCHISEE, or, if FRANCHISEE is an entity, any owner of FRANCHISEE, the heirs, beneficiaries, devisees, or legal representatives of said individual, partner, member, associate or shareholder, together with all surviving owners, shall:

1. Within ninety (90) days of such event, apply to FRANCHISOR for the right to continue to operate the franchise (for the duration of the term of this Agreement), which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraphs XVI.B of this Agreement (except that no transfer fee shall be required); or
2. Sell, assign, transfer, or convey FRANCHISEE's interest in compliance with the provisions of Paragraphs XVI.B of this Agreement within the later of: (a) one hundred eighty (180) days of such event, or (b) in the event a proper and timely application for the right to continue to operate has been made and rejected, then one hundred twenty (120) days from the date of such rejection.

**B.** Except as herein provided, if said representatives fail to take the steps hereinabove noted, within the time periods specified above, the franchise shall automatically terminate.

## **XVIII. RIGHT OF FIRST REFUSAL**

If FRANCHISEE (or any of its owners) at any time determine to sell, assign or transfer for consideration an interest in this Agreement and the Dealer Specialties® Business or an ownership interest in FRANCHISEE, FRANCHISEE (or such owner) agrees to obtain a bona fide, executed written offer and earnest money deposit (in the amount of 5% or more of the offering price) from a responsible and fully disclosed offeror (including lists of the owners of record and all beneficial owners of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror) and within five (5) days of receipt submit to FRANCHISOR a true and complete copy of such offer, which includes details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be denominated in a dollar amount. The offer must apply only to an interest in FRANCHISEE or in this Agreement and the Dealer Specialties® Business and may not include an offer to purchase any of FRANCHISEE's (or its owners') other property or rights. However, if the offeror proposes to buy any other property or rights from FRANCHISEE

(or its owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to FRANCHISOR, and the price and terms of purchase offered to FRANCHISEE (or its owners) for the interest in FRANCHISEE or in this Agreement and the Dealer Specialties® Business must reflect the bona fide price offered and not reflect any value for any other property or rights.

FRANCHISOR has the right, exercisable by written notice delivered to FRANCHISEE or its selling owner(s) within fourteen (14) days from the date of the delivery to FRANCHISEE of both an exact copy of such offer and all other information FRANCHISOR request, to purchase such interest for the price and on the terms and conditions contained in such offer, provided that:

(a) FRANCHISOR may substitute cash for any form of payment proposed in such offer (with a discounted amount if an interest rate will be charged on any deferred payments);

(b) FRANCHISOR's credit will be deemed equal to the credit of any proposed purchaser;

(c) FRANCHISOR will have not less than thirty (30) days after giving notice of its election to purchase to prepare for closing; and

(d) FRANCHISOR is entitled to receive, and FRANCHISEE and its owners agree to make, all customary representations and warranties given by the seller of the assets or ownership interests of a business, as applicable, including, without limitation, representations and warranties as to:

(A) ownership and condition of and title to stock or other forms of ownership interest and/or assets;

(B) liens and encumbrances relating to the stock or other ownership interest and/or assets; and

(C) validity of contracts and the liabilities, contingent or otherwise, of the entity whose ownership interests are being purchased.

If FRANCHISOR exercises its right of first refusal, FRANCHISEE and its selling owner(s) agree that, for a period of two (2) years commencing on the date of the closing, FRANCHISEE and they will be bound by the noncompetition covenants contained in Section XII of this Agreement. FRANCHISEE and its selling owner(s) further agree that FRANCHISEE and they will, during this same time period, abide by the restrictions of this Agreement.

If FRANCHISOR does not exercise its right of first refusal, FRANCHISEE or its owners may complete the sale to such purchaser pursuant to and on the exact terms of such offer, subject to FRANCHISOR's approval of the transfer, provided that, if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such offer to FRANCHISOR, or if there is a material change in the terms of the sale (which FRANCHISEE agrees promptly to

communicate to FRANCHISOR), FRANCHISOR will have an additional right of first refusal during the thirty (30) day period following either the expiration of such one hundred twenty (120) day period or notice to FRANCHISOR of the material change(s) in the terms of the sale, either on the terms originally offered or the modified terms, at FRANCHISOR's option.

#### **XIX. OPERATION IN EVENT OF ABSENCE, DISABILITY OR DEATH**

In order to prevent any interruption of the franchised Business which would cause harm to said business and thereby depreciate the value thereof, FRANCHISEE authorizes FRANCHISOR, upon ten (10) days' notice to FRANCHISEE, in the event FRANCHISEE or a Principal Owner of FRANCHISEE is absent or incapacitated by reason of illness or death and is not, therefore, in the judgment of FRANCHISOR able to operate the Business franchised hereunder, to operate said business for so long as FRANCHISOR deems necessary and practical, and without waiver of any other rights or remedies FRANCHISOR may have under this Agreement. All monies from the operation of the business during such period or operation by FRANCHISOR shall be kept in a separate account, and the expenses of the business, including reasonable compensation and expenses for FRANCHISOR's representative, shall be charged to said account. If, as herein provided, FRANCHISOR temporarily operates for FRANCHISEE the Business franchised herein; FRANCHISEE agrees to save harmless FRANCHISOR and any representative of FRANCHISOR who may act hereunder, except for any damages caused by the willful act or omission of FRANCHISOR.

#### **XX. INJUNCTIVE RELIEF**

FRANCHISEE recognizes and acknowledges that the licensed franchise may be one of a number of Businesses using FRANCHISOR's trade name(s) and System, and that the failure of FRANCHISEE to comply with any of the material term(s) of this Agreement would cause irreparable damage to FRANCHISOR for which monetary damages are not an adequate remedy.

Therefore, FRANCHISEE agrees that upon FRANCHISEE's default of any material provision(s) of this Agreement or Operations Manual(s), FRANCHISOR will have the immediate right to secure an order enjoining any default. If this Agreement has terminated, FRANCHISEE may be enjoined from any continued operation of the licensed Business being operated under this Agreement, or from committing any other act prohibited by this Agreement after its termination. This provision will specifically survive the expiration or termination of this Agreement. FRANCHISEE waives any requirement for any bond, or similar instrument, a court may place on the FRANCHISOR in order to seek any injunctive relief.

#### **XXI. TAXES AND PERMITS**

**A.** FRANCHISEE shall promptly pay when due all taxes and assessments against it or the premises or the equipment used in connection with FRANCHISEE's Dealer Specialties® Business, and all liens or encumbrances of every kind or character created or placed upon or against any of said property, and all accounts and other indebtedness of every kind incurred by FRANCHISEE in the conduct of said business.

**B.** FRANCHISEE shall comply with all federal, state, and local laws and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of its Dealer Specialties® Business.

## **XXII. INDEPENDENT CONTRACTOR**

**A.** This Agreement does not constitute FRANCHISEE as an agent, legal representative, joint venturer, partner, employee, or servant of FRANCHISOR for any purpose whatsoever; FRANCHISOR is not responsible for the daily operations of FRANCHISEE; and it is understood between the parties hereto the FRANCHISEE is an independent contractor and is in no way authorized to make any contract, agreement, warranty or representation on behalf of FRANCHISOR, or to create any obligation, express or implied, on behalf of FRANCHISOR. FRANCHISEE shall prominently display on its mobile vehicle and/or in its place of business a certificate from FRANCHISOR stating that said business is operated by FRANCHISEE as a FRANCHISEE of Dealer Specialties®, and not as an agent thereof.

**B.** Under no circumstance shall FRANCHISOR be liable for any act, omission, debt or any other obligation of FRANCHISEE. FRANCHISEE shall indemnify and save FRANCHISOR harmless against any such claim and the cost of defending against such claims arising directly or indirectly from, or as a result of, or in connection with, FRANCHISEE's operation of the franchised Business.

**C.** Under no circumstance shall FRANCHISEE be liable for any act, omission, debt or any other obligation of FRANCHISOR. FRANCHISOR shall indemnify, defend and hold harmless FRANCHISEE from and against any third party claim for bodily injury or damage to physical property to the extent caused by the gross negligence or intentional misconduct of FRANCHISOR. Notwithstanding any of the foregoing, FRANCHISOR will not be responsible in any way for damages or losses: (a) sustained or incurred as a result of information, data, or services provided to FRANCHISOR or FRANCHISEE by third parties (e.g., vehicle identification number decoding); or (b) covered by FRANCHISOR's or FRANCHISEE's insurance.

## **XXIII. NON-WAIVER**

No failure of FRANCHISOR to exercise any power reserved to it hereunder, or to insist upon strict compliance by FRANCHISEE with any obligation or condition hereunder, and no custom or practice of the parties in variance with the terms hereof, shall constitute a waiver of FRANCHISOR's right to demand exact compliance with the terms hereof. Waiver by FRANCHISOR of any particular default by FRANCHISEE shall not affect or impair FRANCHISOR's right in respect to any subsequent default of the same or of a different nature; nor shall any delay, waiver, forbearance, or omission of FRANCHISOR to exercise any power or rights arising out of any breach or default by FRANCHISEE of any of the terms, provisions, or covenants hereof, affect or impair FRANCHISOR's rights, nor shall such constitute a waiver by FRANCHISOR of any right hereunder or of the right to declare any subsequent breach or default. Subsequent acceptance by FRANCHISOR of the payments due to it hereunder shall not be deemed to be a waiver by FRANCHISOR of any preceding breach by FRANCHISEE of any terms, covenants or conditions of this Agreement.

## **XXIV. NOTICES**

All written notices and reports permitted or required under this Agreement or by the Operations Manual will be deemed delivered:

at the time delivered by hand;

one (1) business day after transmission by facsimile, telecopy or other electronic system;

two (2) business days after being placed in the hands of a commercial airborne courier service for next business day delivery; or

three (3) business days after placement in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

Any notice to FRANCHISOR must be addressed as follows:

To: Dealer Specialties International, Inc.  
60 Overbrook Drive  
Monroe, Ohio 45050  
Attn: President  
Tel.: 513-705-2000  
Fax: 775-257-1904

Either FRANCHISEE or FRANCHISOR may change the address for delivery of all notices and reports by delivering written notice to the other party of such change and any such notice will be effective 10 business days after delivery of such notice. Any required payment or report not actually received by FRANCHISOR during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior to such date, or in which the receipt from the commercial courier service is not dated prior to two (2) days prior to such date) will be deemed delinquent. FRANCHISEE must obtain and maintain a valid e-mail address and communicate it to FRANCHISOR. Similar e-mail addresses must be provided for all of FRANCHISEE's key personnel. FRANCHISEE agrees that FRANCHISOR may communicate with FRANCHISEE via e-mail and other electronic means. FRANCHISOR may send notices to FRANCHISEE, its principal officers or managers or such other personnel as FRANCHISOR determines are in charge of the daily operations of the Dealer Specialties® Business.

## **XXV. LIABILITY FOR BREACH**

In the event of any default on the part of either party hereto, in addition to any other remedies of the aggrieved party, the party in default shall pay to the aggrieved party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the aggrieved party as a result of any such default.



Except as expressly provided in this Agreement, neither FRANCHISOR nor any of its affiliates assumes any direct or indirect liability or obligation to FRANCHISEE with respect to the Business and neither FRANCHISOR nor any of its affiliates shall have any liability to FRANCHISEE for damages of any kind, whether direct, consequential or otherwise incident to the conduct of the Business or FRANCHISEE.

## **XXVI. ENTIRE AGREEMENT**

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, understandings, representations and agreements; **provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished you.**

## **XXVII. SEVERABILITY**

Each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation or affect the remaining portions, sections, parts, terms and/or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if FRANCHISOR determines that said finding of illegality adversely affects the basic consideration of the Agreement, FRANCHISOR may, at its option, terminate this Agreement, in which event the contents in Article XII shall be void and of no effect.

## **XXVIII. APPLICABLE LAW/VENUE AND JURISDICTION**

This Agreement was accepted in the State of Ohio and shall be interpreted and construed under the laws thereof, which laws shall prevail in the event of any conflict of laws except that the Ohio conflict-of-law provisions shall not be involved in order to apply the laws of any other state or jurisdiction.

The parties consent and irrevocably submit to the exclusive jurisdiction and venue of any state or federal court of competent jurisdiction located in the Cincinnati, Ohio metropolitan area and waive any objection to the jurisdiction and venue of such courts. The parties agree that any litigation will be brought exclusively in such courts. However, notwithstanding the foregoing, the exclusive choice of jurisdiction does not preclude any party from bringing any action to enforce or confirm any award or judgment in any other appropriate jurisdiction.

The foregoing notwithstanding, to the extent that the provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation, non-renewal or the like other than in accordance with applicable law, such provisions shall, to the extent such are not in accordance with applicable law, not be effective, and FRANCHISOR shall comply with applicable law in connection with each of these matters.

## XXIX. ARBITRATION

Except as specifically otherwise provided in this Agreement, the parties agree that any and all disputes between them, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively by arbitration before a single arbitrator in accordance with the rules of the American Arbitration Association (the “AAA”). The place of arbitration shall be exclusively in Cincinnati, Ohio.

If a question shall arise as to whether a dispute is governed by this clause, the determination of whether this clause applies to the disputed issue shall be determined by the Arbitrator in accordance with the rules of the AAA, and the arbitration ruling shall be binding on all parties.

**A.** Arbitration proceedings shall be conducted in accordance with the rules then prevailing of the AAA. Judgment upon an award of the arbitrator shall be binding, and shall be entered in a court of competent jurisdiction.

**B.** Nothing herein contained shall bar the right of either party to obtain injunctive relief against threatened conduct that will cause loss or damages under the usual equity rules, including the applicable rules for obtaining preliminary injunctions, as long as the party seeking the injunction provides an appropriate bond against damages suffered by the other party due to the wrongful issuance of such injunction.

## XXX. FRANCHISEE

The term “FRANCHISEE” shall be deemed to include all persons who succeed to the interest of the original FRANCHISEE by transfer or operation of law in accordance with the provisions of this Agreement.

If FRANCHISEE is (at any time) a business organization (such as a corporation, limited liability company or partnership) (a “**Business Entity**”), FRANCHISEE agrees and represents that:

FRANCHISEE has the authority to execute, deliver and perform its obligations under this Agreement and are duly organized or formed and validly existing in good standing under the laws of the state of FRANCHISEE’s incorporation or formation;

FRANCHISEE’s organizational or governing documents will recite that the issuance and transfer of any ownership interests in FRANCHISEE are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in FRANCHISEE will bear a legend referring to the restrictions of this Agreement;

FRANCHISEE will completely and accurately describe all of its owners and their interests in FRANCHISEE in the Principal Owner’s Statement;

FRANCHISEE and its owners agree to revise the Principal Owner’s Statement as may be necessary to reflect any ownership changes within fifteen (15) days of the change, and to furnish

such other information about FRANCHISEE's organization or formation as FRANCHISOR may request from time to time;

Each of FRANCHISEE's owners that (i) is active in the Dealer Specialties® Business at any time during the Term or (ii) has beneficial ownership of ten percent (10%) or more of FRANCHISEE's ownership interests (each, a "**Principal Owner**"), must sign and deliver to FRANCHISOR its standard form of Principal Owner's Guaranty, undertaking to be bound jointly and severally by all provisions of this Agreement, any other agreements between FRANCHISEE and FRANCHISOR, or obligations FRANCHISEE owes FRANCHISEE at any time; and

At FRANCHISOR's request, FRANCHISEE will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of FRANCHISEE's owners and its agents (such as articles of incorporation or organization and partnership, operating or shareholder agreements).

### **XXXI. ACKNOWLEDGMENTS**

The success of the business venture contemplated to be undertaken by FRANCHISEE by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of FRANCHISEE as an independent businessman, as well as other factors. FRANCHISOR does not make any representation or warranty as to the potential success of the business venture contemplated hereby.

FRANCHISEE acknowledges that it has entered into this Agreement after making an independent investigation of FRANCHISOR's operations, and it has not relied upon any representation as to profits which FRANCHISEE in particular might be expected to realize.

FRANCHISOR expressly disclaims the making of, and FRANCHISEE acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential revenues, profits or success of the business venture contemplated by this Agreement. FRANCHISEE acknowledges that it has no knowledge of any representations about the franchise by FRANCHISOR, its officers, directors, shareholders, employees or agents that are contrary to the terms of this Agreement or the documents incorporated or referenced herein, and further represents to FRANCHISOR, as an inducement to its entry into this Agreement, that FRANCHISEE has made no misrepresentations in obtaining the Franchise.

FRANCHISEE hereby acknowledges and understands that FRANCHISOR makes no earnings claims, and therefore FRANCHISEE has not received from anyone, information either written or oral, as to any projected sales, profits, or projected profits for this franchise.

### **XXXII. COUNTERPARTS**

This Agreement may be executed in any number of identical counterparts, and each such counterpart shall be deemed a duplicate of the original hereof.

This Agreement is not effective until it has been signed by one of FRANCHISOR's authorized officers and a counterpart has been delivered to FRANCHISEE.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed and entered into as of the day and year first above written.

FRANCHISEE:

[Name of Franchisee]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

DEALER SPECIALTIES INTERNATIONAL,  
INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**SCHEDULE ONE**  
**PERSONAL GUARANTY OF OWNER/SHAREHOLDER**

This Guaranty must be signed by the principal owners (referred to as “you” for purposes of this Guaranty only) of \_\_\_\_\_ (the “Franchise Owner”) under the Dealer Specialties International, Inc. Franchise Agreement (the “Agreement”) dated \_\_\_\_\_, 202\_\_\_\_.

1. **Scope of Guaranty.** In consideration of, and as an inducement to, the signing and delivery of the Agreement by Dealer Specialties International, Inc. (“us,” or “our” or “we”), each of you signing this Guaranty, personally, absolutely and unconditionally: (a) guarantees to us and our successors and assigns that the Franchise Owner will fully and punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (collectively, the “Guaranteed Obligations”).

2. **Guaranty Absolute and Unconditional.** Your liability under this Guaranty shall be absolute and unconditional and is not contingent upon any other person signing this Guaranty, or the obtaining of any collateral for any of the Guaranteed Obligations, or the obtaining of the liability of any other person under any of the Guaranteed Obligations, or any other matter. Your liability hereunder shall not be affected, impaired, discharged or released by: (i) any modification, discharge or extension of the Indebtedness or any amendment, modification or stay of our rights under any instruments evidencing or securing the Guaranteed Obligations which may occur in any bankruptcy or reorganization case or proceeding concerning the Franchise Owner, whether permanent or temporary and whether or not assented to by us; (ii) any indulgence or compromise in connection with the Guaranteed Obligations granted by us in our sole discretion; (iii) any substitution, release, relinquishment, subordination, exchange, in whole or in part, of any collateral or any securities held in connection with the Guaranteed Obligations; (iv) any release, in whole or in part, of any accommodation maker, endorser, guarantor or surety; (v) any furnishing of additional collateral for any of the Guaranteed Obligations; or (vi) any failure, neglect or omission on our part to realize upon or collect any of the Guaranteed Obligations, any obligation hereunder, any surety or guaranty therefor, or any collateral therefor, or to exercise any right of set off or otherwise that we may have with respect to the appropriation of any monies, credits or property of the Franchise Owner possessed by us.

3. **Waivers.** Each of you waives: (a) acceptance and notice of acceptance by us of your obligations under this Guaranty; (b) notice of demand for payment of any Guaranteed Obligations; (c) protest and notice of default to any party with respect to the Guaranteed Obligations; (d) any right you may have to require that an action be brought against the Franchise Owner or any other person as a condition of your liability; (e) all rights to payments and claims for reimbursement or subrogation which you may have against the Franchise Owner arising as a result of your execution of and performance under this Guaranty; (f) all other notices and legal or equitable defenses to which you may be entitled in your capacity as guarantors; and (g) all rights to contribution you may have against any other guarantor of the Guaranteed Obligations.

4. **Consents and Agreements.** Each of you consents and agrees that: (a) your direct and immediate liability under this Guaranty is joint and several; (b) you must render any payment or performance required under the Agreement upon demand if the Franchise Owner fails or refuses punctually to do so; (c) your liability will not be contingent or conditioned upon our pursuit of any remedies against the Franchise Owner or any other person; (d) your liability will not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which we may periodically grant to Franchise Owner or to any other person, including, without limitation, the

acceptance of any partial payment or performance or the compromise or release of any claims and no such indulgence shall in any way modify or amend this Guaranty; and (e) this Guaranty will continue until all Guaranteed Obligations are fully performed.

5. **Enforcement Costs.** If we are required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, you must reimburse us for our enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

6. **Subordination of the Franchise Owner's Obligations to You.** Each of you signing this Guaranty subordinates all obligations of the Franchise Owner owing to you, whether now existing or hereafter arising, to all obligations of the Franchise Owner now or hereafter owing to us. Following the occurrence of any default of the Franchise Owner to satisfy its obligations under the Agreement to us, any payments on such obligations of the Franchise Owner to you shall be deemed to be held in trust by you for us and shall be paid over to us on account of such obligations without reducing or affecting in any manner your liability under this Guaranty except to the extent of such payment.

7. **Effectiveness.** Your obligations under this Guaranty are effective on the effective date of the Agreement, regardless of the actual date of signature. Terms not otherwise defined in this Guaranty have the meanings as defined in the Agreement. This Guaranty is governed by Ohio law and may be enforced in the courts of Butler County, Ohio. Each Guarantor irrevocably submits and agrees to the jurisdiction and venue of such courts and to the arbitration provisions of the Agreement.

Each of the principal owners now signs and delivers this Guaranty as of the date of the Agreement.

DATE: \_\_\_\_\_

GUARANTORS

\_\_\_\_\_  
\_\_\_\_\_

PERCENTAGE OF OWNERSHIP  
INTEREST IN FRANCHISE OWNER

\_\_\_\_\_  
\_\_\_\_\_

**SCHEDULE TWO**  
**ADDITIONAL FRANCHISE RELEASE AGREEMENT**

THIS RELEASE is entered into by and between Dealer Specialties International, Inc. (“**Franchisor**”), an Ohio corporation with its principal offices located at 60 Overbrook Drive, Monroe, Ohio 45050, and \_\_\_\_\_, an individual/corporation (“**Franchisee**”) that resides at \_\_\_\_\_.

WHEREAS, pursuant to the Dealer Specialties International, Inc. Franchise Agreement(s) entered into by and between Franchisor and Franchisee, Franchisee was granted the license(s) to operate certain Dealer Specialties International, Inc. franchise(s) (“**Franchise(s)**”);

WHEREAS, Franchisee has requested that Franchisor approve his/its application to purchase an additional franchise;

WHEREAS, Franchisor’s approval of Franchisee’s application for an additional franchise is contingent on Franchisee agreeing to the terms and conditions of this Agreement.

THEREFORE, in consideration of the mutual promises contained herein, the sufficiency of which is hereby confessed, the parties agree as follows:

1. Franchisor approves Franchisee’s application to purchase an additional Franchise, provided that Franchisee fulfills all of the conditions and obligations for such transaction as set forth by the Dealer Specialties International, Inc. Franchise Agreement.

2. Excluding all obligations created by this Release Agreement and any ongoing obligations of the Dealer Specialties International, Inc. Franchise Agreement, if any, \_\_\_\_\_, his/its stockholders, officers, directors, partners, representatives, heirs, executor, administrators, successors and assigns, as the case may be, hereby release DEALER SPECIALTIES INTERNATIONAL, INC., and its parent, subsidiaries, affiliates, and all of their officers, directors, employees, agents, representatives, successors, and assigns of and from any and all rights, duties, responsibilities, claims, causes of action whatsoever, whether in contract or in tort, existing by common law or by statute, known or unknown, heretofore existing between the released parties and Franchisee, which may have accrued or which may accrue on account of, arising from, or in any manner growing out of or resulting from the franchise relationship and the Dealer Specialties International, Inc. Franchise Agreement(s) governing that relationship for each Franchise owned and/or operated by Franchisee prior to making an application for the purchase of this additional Franchise.

3. This Release constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to contents contained in this Agreement are merged into this Agreement.

4. Franchisee is entering into this Release Agreement of his own volition and understands, acknowledges and agrees that this Agreement is not being entered into by him under any form of duress. Prior to entering into this Agreement, Franchisee has had the opportunity to speak with his attorney or other advisor that Franchisee desires and is fully aware of his rights and obligations arising out of this Agreement.

5. This Release shall not be modified in any manner, except by written instrument signed by both parties.

6. This Release shall be governed by the laws of the State of Ohio. If it should become necessary to enforce any term(s) of this Release, the dispute resolution provisions of the Franchise Agreement, contained in Paragraph XXIX shall be applicable.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this day, in duplicate, and have set forth their signatures with the intention of executing this document.

FRANCHISEE:

[Name of Franchisee]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

DEALER SPECIALTIES INTERNATIONAL,  
INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**SCHEDULE THREE  
RESALE / RENEWAL  
TERMINATION BY RELEASE**

THIS RELEASE is entered into by and between Dealer Specialties International, Inc. (“Franchisor”), an Ohio corporation with its principal offices located at 60 Overbrook Drive, Monroe, Ohio 45050 and \_\_\_\_\_ (“Franchisee”), an individual/corporation who resides at \_\_\_\_\_.

WHEREAS, pursuant to that one certain Dealer Specialties International, Inc. Franchise Agreement entered into by and between \_\_\_\_\_ and Franchisor and dated \_\_\_\_\_, Franchisee was granted the license to operate a franchise in the non-exclusive territory described as: \_\_\_\_\_;

WHEREAS, certain circumstances have arisen that necessitate that the franchise relationship between Franchisor and Franchisee be terminated.

THEREFORE, in consideration of the mutual promises contained herein, the sufficiency of which is hereby confessed, the parties agree as follows:

1. The franchise relationship that has existed between Franchisor and Franchisee is hereby terminated as of the date that this release is signed by both parties to it.

2. The Dealer Specialties International, Inc, Franchise Agreement that has governed the relationship between Franchisor and Franchisee is terminated effective upon the date that this Agreement is signed by both parties, subject to the conditions stated herein.

3. \_\_\_\_\_, his/its stockholders, officers, directors, partners, representatives, heirs, executors, successors and assigns hereby release DEALER SPECIALTIES INTERNATIONAL, INC., and its parent, subsidiaries, affiliates, and all of their officers, directors, employees, agents, representatives, successors, and assigns of and from any and all rights, duties, responsibilities, claims, causes of action whatsoever, whether in contract or in tort, existing by common law or by statute, known or unknown, heretofore existing between the released parties and Franchisee, which may have accrued or which may accrue on account of, arising from, or in any manner growing out of or resulting from the franchise relationship and the Dealer Specialties International, Inc. Franchise Agreement governing that relationship.

3. Subject to the closing of the sale of this franchise and Franchisee’s fulfillment of its obligations regarding such transfer contained in the Franchise Agreement for said franchise, including, but not limited to, the payment of all amounts owed Franchisor for Franchisee’s operation of the franchise and the return of the Confidential Operations Manual, DEALER SPECIALTIES INTERNATIONAL, INC., its parent, subsidiaries, directors, officers, employees,

successors and assigns, hereby release

from any and all duties, responsibilities and claims that it has or may have now or at any time in the future arising out of the Franchise Agreement, except for the any express obligation or obligations which shall by their terms continue in force beyond the termination of the Franchise Agreement, including, but not limited to the restrictive covenant articulated in Paragraph XII of the Franchise Agreement and the applicable law and dispute resolution provisions contained in Paragraphs XXVIII and XXIX, and regardless of the basis or the manner of termination.

4. This Release shall be binding upon and inure to the benefit of all parties, their officers, directors, affiliates, successors, and assigns.

5. This Release constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to contents contained in this Agreement are merged into this Agreement.

6. This Release shall not be modified in any manner, except by written instrument signed by both parties.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this day, in duplicate, and have set forth their signatures with the intention of executing this document.

FRANCHISEE:

[Name of Franchisee]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR:

DEALER SPECIALTIES INTERNATIONAL,  
INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT F**

**STATE SPECIFIC RIDERS AND ADDENDA**

**MINNESOTA ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum amends and supplements the “Franchise Disclosure Document” issued by Dealer Specialties International, Inc.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

Rows c, v and w of the table are replaced with the following:

	<b>THE FRANCHISE RELATIONSHIP</b>		
<u>Provision</u>	<b>Section in Franchise <u>Agreement</u></b>	<u>Summary</u>	
c.	Requirements for franchisee to renew or extend	Article XI	<p>Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document.</p> <p>Other conditions are: You must send written notice of intent to renew at least 180 days before Agreement is to expire and execute a general release. This release will not be effective to relieve DSI of liability to you under Minn. Stat. Supp. Sections 80C.01 to 80C.22.</p>
v.	Choice of forum	Article XXVIII.	<p>Except for certain matters, any litigation must be held in Cincinnati, Ohio. However, this choice of forum provision will not in any way abrogate or reduce any of your rights as a franchisee provided in Minn. Stat., Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In particular, Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit DSI from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the</p>

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
w. Choice of Law	Article XXVIII	<p>franchisee to consent to liquidated damages, termination penalties or judgment notes.</p> <p>Ohio law governs the franchise agreement. However, this choice of law provision will not in any way abrogate or reduce any of your rights as a franchisee provided in Minn. Stat., Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. In particular, Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit DSI from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes.</p>

**WITH RESPECT TO FRANCHISES GOVERNED BY MINNESOTA LAW, THE FRANCHISOR WILL COMPLY WITH MINN. STAT. SEC. 80C.14, SUBDS. 3, 4 AND 5 WHICH REQUIRE, EXCEPT IN CERTAIN SPECIFIED CASES, THAT A FRANCHISEE BE GIVEN NINETY (90) DAYS NOTICE OF TERMINATION (WITH SIXTY (60) DAYS TO CURE) AND ONE HUNDRED EIGHTY (180) DAYS NOTICE FOR NON-RENEWAL OF THE FRANCHISE AGREEMENT; AND THAT CONSENT TO THE TRANSFER OF THE FRANCHISE WILL NOT BE UNREASONABLY WITHHELD.**

**MINNESOTA ADDENDUM  
TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement (“Addendum”) amends the Franchise Agreement (“Franchise Agreement”) entered into between Dealer Specialties International, Inc. (“DSI”) and \_\_\_\_\_ (“FRANCHISEE”). All terms capitalized herein and not otherwise defined shall have the meanings described to such terms in the Franchise Agreement:

Section 23.2 Notwithstanding anything to the contrary in the Franchise Agreement, with respect to franchises governed by Minnesota law, DSI will comply with Minn. Stat. Sec. 80C.14 Subds. 3, 4 and 5 which require, except in certain specified cases, that FRANCHISEE be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

Section 23.3 Notwithstanding anything to the contrary contained in Article II of the Franchise Agreement, LSI will protect FRANCHISEE’s right to use the Marks or shall indemnify FRANCHISEE from any loss, costs or expenses arising out of any claim, suit or demand regarding FRANCHISEE’s use of a Mark.

Section 23.4 Section B(3) of Article XI of the Franchise Agreement is amended and restated in its entirety to provide as follows:

“FRANCHISEE executes and delivers to FRANCHISOR, within thirty (30) days of receipt, a general release in form satisfactory to FRANCHISOR releasing all and any claims against FRANCHISOR and its shareholders, officers, directors, employees, affiliates, successors and assigns for anything prior to the date of the release; provided, however, that such general releases shall not operate to release FRANCHISOR from any claims or liability arising under the Minnesota Franchise Law.”

Section 23.5 The second paragraph of Article XX of the Franchise Agreement is amended and restated in its entirety to provide as follows:

“Therefore, FRANCHISEE agrees that upon FRANCHISEE’S default of any material provision(s) of this Agreement or Operations Manual(s), FRANCHISOR may seek an order enjoining any default. If this Agreement has terminated, FRANCHISEE may be enjoined from any continued operation of the licensed business being operated under this Agreement, or from committing any other act prohibited by this Agreement after its termination. This provision will specifically survive termination of this Agreement. FRANCHISEE also waives any requirement for any bond, or similar instrument, a court may place on the FRANCHISOR in seeking any injunctive relief.”

Section 23.6 The following is added as a new paragraph at the end of Article XXVIII of the Franchise Agreement is amended and restated as follows:

“Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit FRANCHISOR from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. This Consent to Jurisdiction and Governing Law shall be effective only to the extent not prohibited by Minnesota Franchise Law.”

Section 23.7 Except as amended in this Addendum, all other terms and conditions contained in the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, DSI and Franchisee have executed this Addendum as of the day and year first above written.

\_\_\_\_\_, Franchisee

DEALER SPECIALTIES INTERNATIONAL, INC.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name:

Name:

Title:

Title:

**NEW YORK ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum amends and supplements the “Franchise Disclosure Document” issued by Dealer Specialties International, Inc.

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge



or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for franchisee to renew or extend,**” and Item 17(m), entitled “**Conditions for franchisor approval of transfer**”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

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

7. Receipts—Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**ILLINOIS ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum amends and supplements the “Franchise Disclosure Document” issued by Dealer Specialties International, Inc.

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon termination and non-renewal of this franchise agreement set forth in Section 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

**ILLINOIS ADDENDUM  
TO FRANCHISE AGREEMENT**

This Addendum to Franchise Agreement (“Addendum”) amends the Franchise Agreement (“Franchise Agreement”) entered into between Dealer Specialties International, Inc. (“DSI”) and \_\_\_\_\_ (“FRANCHISEE”). All terms capitalized herein and not otherwise defined shall have the meanings described to such terms in the Franchise Agreement:

Section 23.8 Illinois law governs the Franchise Agreement.

Section 23.9 In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Section 23.10 Your rights upon termination and non-renewal of this Franchise Agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Section 23.11 In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

IN WITNESS WHEREOF, DSI and Franchisee have executed this Addendum as of the day and year first above written.

\_\_\_\_\_, Franchisee

DEALER SPECIALTIES  
INTERNATIONAL, INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**VIRGINIA ADDENDUM  
TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum amends and supplements the “Franchise Disclosure Document” issued by Dealer Specialties International, Inc.

Item 17  
Renewal, Termination, Transfer and Dispute Resolution

Add the following after the last entry “w. Choice of Law”:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without “reasonable cause”, as defined in the Virginia Retail Franchising Act or the laws of Virginia, or to use undue influence to induce a franchisee to surrender any right given to them under the franchise agreement.

If any grounds for default or termination stated in a provision of the franchise agreement do not constitute “reasonable cause”, the provision may not be enforceable.

If any provision of the franchise agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to them under the franchise, the provision may not be enforceable.

**EXHIBIT G**

**RECEIPTS**

## State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Connecticut, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b><u>State</u></b>	<b><u>Effective Date</u></b>
Florida	Pending
Illinois	June 8, 2022
Kentucky	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Wisconsin	May 12, 2022

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT**

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

If DSI 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, or sooner if required by applicable state law.

If DSI does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Dealer Specialties International, Inc., located at 60 Overbrook Drive, Monroe, Ohio 45050. Its telephone number is (513) 705-2000.

The franchise sellers for this offering are:

Name	Principal Business Address	Telephone Number
Shane Marcum	60 Overbrook Drive Monroe, OH 45050	513-705-2000

The issuance date: April 6, 2023.

DSI authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I received a disclosure document dated April 6, 2023 that included the following Exhibits and Attachments:

- EXHIBIT A State Regulatory Authorities and Agents for Service of Process
- EXHIBIT B Table of Contents to Operations Manual
- EXHIBIT C List of Franchisees
- EXHIBIT D Financial Statements
- EXHIBIT E Franchise Agreements including the following Schedules:  
 Schedule One: Personal Guaranty  
 Schedule Two: Additional Franchise Release Agreement  
 Schedule Three: Resale/Renewal Termination By Release
- EXHIBIT F Special State Requirements
- EXHIBIT G Receipts

Dated: \_\_\_\_\_  
*(do not leave the date blank)*

\_\_\_\_\_  
 Individually and as an officer

\_\_\_\_\_  
 Print Name

Of \_\_\_\_\_  
 (a \_\_\_\_\_ corporation)  
 (a \_\_\_\_\_ partnership)  
 (a \_\_\_\_\_ limited liability company)

**[Keep this page for your records]**



**RECEIPT**

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

If DSI offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

If DSI does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

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Shane Marcum	60 Overbrook Drive Monroe, OH 45050	513-705-2000

The issuance date: April 6, 2023.

DSI authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

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- EXHIBIT A State Regulatory Authorities and Agents for Service of Process
- EXHIBIT B Table of Contents to Confidential Operations Manual
- EXHIBIT C List of Franchisees
- EXHIBIT D Financial Statements
- EXHIBIT E Franchise Agreements including the following Schedules:
  - Schedule One: Personal Guaranty of owner/Shareholder
  - Schedule Two: Additional Franchise Release Agreement
  - Schedule Three: Resale/Renewal Termination By Release
- EXHIBIT F Special State Requirements
- EXHIBIT G Receipts

Dated: \_\_\_\_\_  
*(do not leave the date blank)*

\_\_\_\_\_  
Individually and as an officer

\_\_\_\_\_  
Print Name

Of \_\_\_\_\_  
(a \_\_\_\_\_ corporation)  
(a \_\_\_\_\_ partnership)  
(a \_\_\_\_\_ limited liability company)

**Sign and Return This Page to:**  
**60 Overbrook Drive**  
**Monroe, Ohio 45050**  
**Tel: 513- 705-2000 / Fax: 775-257-1904**  
**E-mail: [franchising@getauto.com](mailto:franchising@getauto.com)**