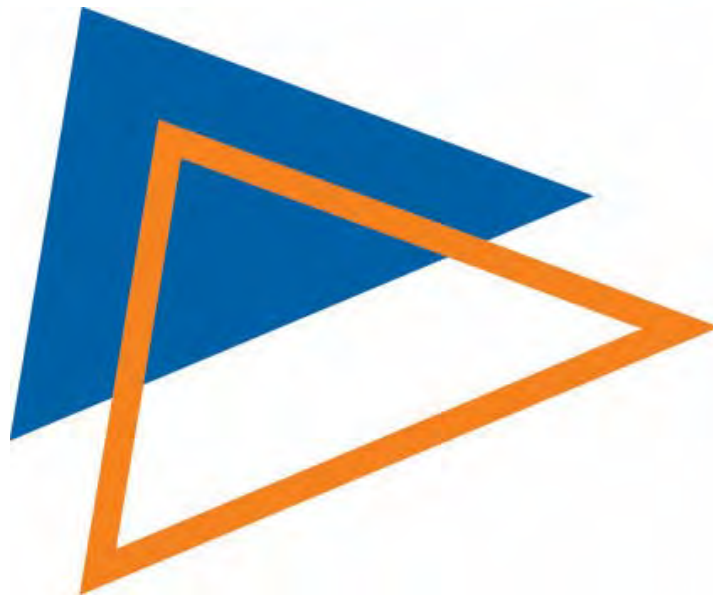


Franchise Disclosure Document



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





FRANCHISE DISCLOSURE DOCUMENT

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

byriderfranchise.com

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

The estimated total investment necessary to begin operation of a Byrider Business ranges from \$790,750 to \$1,412,500 depending upon whether assets are leased or purchased. This includes \$50,000 that must be paid to the franchisor or its affiliate.

On your request, the franchisor may also allow you to acquire a development area in exchange for committing to acquire multiple franchises (by signing multiple franchise agreements) and to opening a Byrider Business under each franchise agreement in accordance with a development schedule. You will sign an area development agreement, which will attach to the franchise agreement as a rider. If and when you sign an area development agreement rider to the franchise agreement, you must pay the franchisor a development fee of \$17,500 times the number of franchises that you agree to acquire. While the franchisor and you may agree to deviate from it, the franchisor will typically require that you commit to acquiring 1 to 5 franchises, in which case the development fee would be \$17,500 (for a 1-franchise commitment), \$35,000 (for a 2-franchise commitment), \$52,500 (for a 3-franchise commitment), \$70,000 (for a 4-franchise commitment) or \$87,500 (for a 5-franchise commitment). The development fee is the only investment you are required to make when signing the area development agreement rider to the franchise agreement (but see the 1st paragraph above for a description of the investment under each franchise agreement), and it is paid entirely to the franchisor. As you sign each franchise agreement, the franchisor will apply the development fee, in \$17,500 increments, as a credit toward the initial franchise fee due under each such franchise agreement.

This Disclosure Document summarizes certain provisions of your Franchise Agreement, Area Development Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this Disclosure Document.**

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

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

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

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

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

Issuance date of this Franchise Disclosure Document: April 27, 2021, as amended December 3, 2021.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

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

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

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

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

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

ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 2

BUSINESS EXPERIENCE

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

Mr. Peters has been with Byrider Franchising in his current position since June 5, 2017. Previously, Mr. Peters was Chief Operating and Tech Officer at Barclays in Wilmington, DE, from May 2015 until May 2017.

Brad N. Malott: Secretary and Vice President of Finance

Mr. Malott has been with Byrider Franchising since August 1994. Mr. Malott has been in his current position as Vice President of Finance since March 2018. He has been in his current position as Secretary since January 2014. From January 2014 until March 2018, Mr. Malott was also Chief Financial Officer and Treasurer of Byrider Franchising.

Steven R. Mark: Treasurer and Chief Financial Officer

Mr. Mark has been with Byrider Franchising in his current position since March 2018. Previously, Mr. Mark was Senior Vice President, Vice President Treasury at Santander Consumer USA in Dallas, TX, from June 2013 until March 2018.

Warren Lenard: Chief Information Officer

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

Jeffrey B. Higgins: Vice President, General Counsel

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

Jack J. Humbert: Vice President Franchise Development

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

J. Chris Hadley: Vice President of Franchising

Mr. Hadley has been with Byrider Franchising since December 2012. Mr. Hadley has been in his current position as Vice President of Franchising since November 2017. He was previously Vice President of Company Stores from December 2013 until November 2017.

Jeffrey L. Anderson: Vice President Finance

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

Jennifer Kier: Director of Franchise Operations

Ms. Kier has been with Byrider Franchising since July 1997. She has been in her current position as Director of Franchise Operations since February 2021 after serving as Franchise Operations Manager from August 2014 through January 2021.

Stephen J. Petersen: Director of Real Estate

Mr. Petersen has been with Byrider Franchising since August 1996. He has been in his current position since January 2007.

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

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

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

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

Mr. Schwartz has been Secretary, Vice President, and a member of the Board of Directors of Byrider Holding Corp. since May 2011. Mr. Schwartz has been a Co-Founder

and Managing Director of Altamont Capital Partners located in Palo Alto, California, since its inception in 2010.

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

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

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

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

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

Mr. Mason has been a member of the Board of Directors of Byrider Holding Corp. since April 2014. Mr. Mason has been a Principal of Altamont Capital Partners located in Palo Alto, California, since January 2017. Previously, Mr. Mason was Vice President at Altamont Capital Partners from January 2014 to December 2016.

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

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

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

Mr. Tankersley has been a member of the Board of Directors of Byrider Holding Corp. since December 2016. Previously, Mr. Tankersley was CEO at MicroPower located in San Diego, California, from January 2013 until May 2016.

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

Ms. Shenkan has been a member of the Board of Directors of Byrider Holding Corp. since December 2019. Ms. Shenkan is currently self-employed. Previously, Ms. Shenkan was President and COO at Common Sense Media located in San Francisco, California, from February 2011 until December 2017.

ITEM 3

LITIGATION

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

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

H. Jeffrey Baker, et al. v. Byrider Franchising, LLC, et al., JAMS Arbitration, Boston Division, Case No: 14000. On July 21, 2017, the former franchisees of a Byrider dealership in Branford, Connecticut, CT102 LLC and Sixela LLC, and personal guarantor

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

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

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

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

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

Byrider Franchising, LLC v. JDB Utah, LLC, No. 1345001472 (Judicial Arbitration and Mediation Services, Indianapolis, Indiana). On June 17, 2020, Byrider Franchising filed an Amended Demand for Arbitration with JAMS against former franchisees and their affiliates and owners, who continued to operate in their former Byrider franchise locations in Texas and Utah (collectively, "Bradford Parties") after terminating their franchise agreements. On March 23, 2021, Byrider Franchising filed a Second Amended

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

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

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Franchise Agreement. You will pay a \$50,000 lump sum franchise fee when you sign the Franchise Agreement. This initial franchise fee is refundable if Byrider Franchising receives written notice from you within 60 days from the date of the Franchise Agreement and you sign the form of general release required by Byrider Franchising. If you purchase additional franchises, you pay the then-current nonrefundable initial franchise fee for each additional franchise. As of the date of this Disclosure Document, the initial franchise fee for each additional franchise is \$35,000. If you execute an Area Development Agreement, you will pay a nonrefundable \$35,000 initial franchise fee for each additional franchise you develop under the Area Development Agreement. The initial franchise fee for additional franchises is subject to change at the discretion of Byrider Franchising without prior notice. Except as described above, the initial franchise fee is not refundable under any circumstances.

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

Reduced Franchise Fee for Veterans. If you are a veteran of the U.S. Armed Forces, you will pay a reduced initial franchise fee of \$40,000. For purposes of

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

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

Refer a Franchise Promotions. From time to time, Byrider Franchising offers a “Refer a Franchise” promotion to its existing Byrider Franchising franchisees. If you are referred to us by an existing franchisee and you open your Byrider business within 18 months of that referral, we will pay that franchisee a referral fee in the amount of \$5,000.00.

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ITEM 6

OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Ultra Royalty Fee	See Remarks	Monthly	<p><u>Gross Sales (Byrider Vehicle Sales)</u>: (i) during first year of operation of the Business, \$5,500 per month; and (ii) after first year of operation of Business, the greater of \$7,500 or 1% of Gross Sales (Byrider Vehicle Sales). See Note 2.</p> <p><u>Gross Receipts (CNAC and Service Center Collections)</u>: After the first year of operation of the Business, 1.90% of your Gross Receipts (CNAC) throughout the remaining term of the Franchise Agreement, except, if you're signing your third (or more) Franchise Agreement, you will pay 1.65% of your Gross Receipts (CNAC and Service Center Collections), so long as you are in compliance with all Franchise Agreements with Byrider Franchising and you continue to operate at least two additional Byrider Businesses that are open to the public. If you fail to meet these conditions, you will pay 1.90% for the remaining term of your third (or more) Franchise Agreement.</p> <p><u>Unaffiliated Assignment of Retail Installment Contracts</u>: \$295.00 for each retail installment contract that you sell or assign to an approved unaffiliated third-party.</p> <p>See also Notes 2, 3 and 4 below.</p>
Advertising Fee	\$1,500	Monthly	This is paid to Ad Group.
National Advertising Fund contribution	Currently, you are not required to contribute to any National Advertising Fund	If due, monthly	Byrider Franchising may require you to contribute to a National Advertising Fund, if established. However, your total contributions to any National Advertising Fund (if established) are subject to the Advertising Spend Cap (4% of your Gross Sales (Byrider Vehicle Sales)). See Note 5 below.

Name of Fee¹	Amount	Due Date	Remarks
Transfer	\$5,000	Before transfer takes place	Covers the cost of training the new franchisee and other costs should you sell, transfer or assign your interest in the Business.
Byrider Franchising Proprietary Computer Software Fees	See Remarks	Varies under the circumstances	Retail Installment Contract Usage: \$3.95 per form, billed quarterly in advance based upon expected usage; Finance by Phone: \$2.95 per lead; GoJDB: \$2.30 per lead; Credit/Debit card: \$1.00 per transaction; Notice of Incompleteness: \$1.00 to \$1.35 per consumer letter, billed quarterly; Privacy Notices sent annually to customers (optional): \$0.99 - \$1.35 per customer letter. See Note 6 below.
Interest	As accrues at the highest legal rate	When past-due fees exist	All Royalty Fees, Advertising Fees, and other amounts you owe to Byrider Franchising bear interest after the date these Fees are due.
Annual Meeting Expenses	Pro rata share of actual cost of event, which typically range between \$595 and \$920 for each meeting	Upon billing by Byrider Franchising	Reimbursement for expense of meals, meeting rooms, etc.
Out of Area Service Handling Fee	The customary fee is \$250 per month.	Upon billing by Byrider Franchising	Optional program to provide logistics coordination and assistance for customers that break down outside their standard service area.
Complaint Shield Fee	The customary fee is \$250 per month.	Upon billing by Byrider Franchising	See Note 7 below.
E-Mail Blast Fee	The customary fee is \$250 per month.	Upon billing by Byrider Franchising	Optional program to provide e-mail marketing campaigns with Byrider Franchising Ad Group controlled content.
Byrider Lead Exchange Fee	The customary fee ranges from \$9 - \$21 per lead.	Upon billing by Byrider Franchising	Optional program to provide a national lead exchange.

Name of Fee¹	Amount	Due Date	Remarks
Prompt Payment Center	The customary fee ranges from \$99 - \$750 per month based on portfolio size.	Upon billing by Byrider Franchising	See Note 8 below.
Webchat	The customary fee is \$250 per month.	Upon billing by Byrider Franchising	Optional program to provide webchat.
Rage Dialer	The customary fee is \$300 per month.	Upon billing by Byrider Franchising	Optional program to connect salespeople with shoppers.
Attorneys' Fees	Vary under the circumstances	As incurred	If you or Byrider Franchising files a suit to enforce a provision of the Franchise Agreement, the losing party pays the prevailing party's reasonable attorneys' fees.
Insurance	Reimbursement of our costs, plus 10% administrative fee	As incurred	If you do not obtain the required insurance coverage, Byrider Franchising may secure coverage for you and charge you the insurance costs and Byrider Franchising's expenses.
Indemnification	Cost of claims and of defending claim vary depending on the circumstances	Upon notification by Byrider Franchising	You indemnify Byrider Franchising and hold Byrider Franchising harmless from and against all claims and costs of defending claims that arise, either directly, or indirectly, from the operation of your Business. See also Note 9 below.
Penalty for Underpayment of Fees	Vary under the circumstances	Upon an audit showing a discrepancy between your books and your royalty payments to Byrider Franchising	See Note 10 below.

Name of Fee¹	Amount	Due Date	Remarks
Training and/or Retraining	Initial Training Program: \$2,500 for additional employees (see Remarks); typical fees for other various training courses range from \$500 to \$1,500 per course.	When services are rendered	Various courses are offered. You pay for costs such as food, hotel, and travel. Your Designated Manager is required to attend the Initial Training Program. The Initial Training Program is available for the Designated Manager and up to three additional employees at no charge. Byrider Franchising will charge you a nonrefundable fee in the amount of \$2,500 for each additional employee.
Technology System - Technology - Related Third Party Vendor Fees	The customary fees range from \$50 to \$100 per month.	When services are rendered	Third party vendors, from time to time, charge maintenance fees, for which Byrider Franchising will bill you.
Reputation Management	Vary under the circumstances	Monthly	Byrider Franchising sends customer reviews via text message to sales and service customers; pricing ranges from \$200-\$600 based on number of accounts.
Compliance Audit	\$500 – first failure \$2,500 – second failure \$10,000 – third failure	As incurred	If you fail a compliance audit (meaning a score of less than 80%) conducted by Byrider Franchising, you must pay Byrider Franchising \$500 plus travel, food and lodging expenses for second audit. If you fail your second audit, you must pay Byrider Franchising \$2,500 plus travel, food and lodging expenses for third audit. If you fail third audit, you must pay Byrider Franchising \$10,000 and Byrider Franchising may terminate the Franchise Agreement.

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

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- 1/ All fees are payable to Byrider Franchising and are uniform to all franchisees receiving this Disclosure Document. The fees are non-refundable unless otherwise stated. During the term of the Franchise Agreement, Byrider Franchising may offer optional services not currently contemplated for which Byrider Franchising may charge a fee. Byrider Franchising reserves the right to charge you a technology fee or an accounting fee for analyzing and summarizing your accounting information and/or for providing financial reports and related reports or services. In addition, if Byrider Franchising modifies the System, you pay for those required modifications.
- 2/ You may only sell and assign retail installment contracts to unaffiliated third-parties if (a) you obtain Byrider Franchising's approval of the unaffiliated third-party prior to each sale or assignment, and (b) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of the Gross Sales (Byrider Vehicle Sales) during any particular calendar month.
- 3/ If this is your first Franchise Agreement, you will pay the Ultra Royalty Fee provided above. Note, the \$7,500 minimum monthly payment provided above in connection with the Gross Sales (Byrider Vehicle Sales) component of the Ultra Royalty Fee is for the 2021 calendar year. That minimum monthly payment will increase by 4.0% on January 1st of every other year (for example, it will increase by 4.0% on

January 1, 2023 and increase by another 4.0% on January 1, 2025, etc.) throughout the term of the Franchise Agreement.

If you or your affiliate(s) have signed a Franchise Agreement prior to January 1, 2021 for the operation of at least one (1) Byrider business, you will pay the Traditional Royalty Fee calculated as follows:

Gross Sales (Byrider Vehicle Sales): (i) for retail installment contracts assigned to your affiliated CNAC entity, greater of \$6,000 or 2.5% of Gross Sales (Byrider Vehicle Sales) with a maximum monthly payment of: \$7,000 for “Founder Franchisees;” \$8,500 for “Legacy Founder Franchisees” and “Interim Founder Franchisees;” or \$10,000 for “Legacy Interim Founder Franchisees” and Standard Franchisees;” and (ii) for retail installment contracts assigned to an approved unaffiliated third-party, \$295 per contract sold or assigned at time of vehicle sale. You may only sell and assign retail installment contracts to unaffiliated third-parties if (a) you obtain Byrider Franchising’s approval of the unaffiliated third-party prior to each sale or assignment, and (b) you may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of the Gross Sales (Byrider Vehicle Sales) during any particular calendar month.

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

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

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

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

Category Designation	Monthly Combined Royalty Cap*
Founder Franchisee	\$8,432 per month
Legacy Founder Franchisee	\$10,540 per month
Interim Founder Franchisee	\$10,540 per month
Legacy Interim Founder Franchisee	\$12,648 per month
Standard Franchisee	\$12,648 per month

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

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

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

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

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

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

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

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

5/ Your contributions to any National Advertising Fund (if established) and your Local Advertising Requirement (defined in Item 11) will not collectively exceed 4% of your Gross Sales (Byrider Vehicle Sales).

6/ You will pay these recurring fees under the Software Services and User Agreement provided on Exhibit E to the Franchise Agreement.

7/ This program handles all agency cases from the BBB, State Attorney General, Private Attorney, Media, or other regulatory agencies. Your enrollment in this program is optional. If you, or your affiliate, already operate a Byrider business, you will be required to pay to participate in this optional program. If you are signing your first Franchise Agreement, while still option, you may participate in this program at no charge by providing written notice to Byrider Franchising. However,

at Byrider Franchising's discretion, you will be required to begin paying the fee above in order to remain in the program upon written notice from Byrider Franchising.

8/ This program provides a centralized call center that collects and processes on time CNAC customer payments. Your enrollment in this program is optional. If you, or your affiliate, already operate a Byrider business, you will be required to pay to participate in this optional program. If you are signing your first Franchise Agreement, while still option, you may participate in this program at no charge by providing written notice to Byrider Franchising. However, at Byrider Franchising's discretion, you will be required to begin paying the fee above in order to remain in the program upon written notice from Byrider Franchising.

9/ You must indemnify Byrider Franchising for any claims or costs incurred by Byrider Franchising in defending claims against your Business. Likewise, Byrider Franchising will indemnify you for claims against you and/or your Business that arise from your authorized use of the Marks or from Byrider Franchising's gross negligence or willful misconduct or from any mandatory specification, standard or procedure contained in the Manual that is determined to be unlawful. As long as you give timely notice of these claims to Byrider Franchising, have complied with the Franchise Agreement and Byrider Franchising has participated in the proceeding as it deems necessary, Byrider Franchising pays the reasonable costs that arise from the action.

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

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

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ITEM 7

YOUR ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT – SINGLE BYRIDER BUSINESS

Expenditures	Estimated Amount or Estimated Low-High Range*	When Payable	Method of Payment	To Whom Paid
Initial Franchise Fee (1)	\$50,000	Upon Execution of Franchise Agreement	Lump sum	Byrider Franchising
Starter Kit (2)	\$0- \$2,500	As arranged	Lump sums as incurred	Approved suppliers
Rent (3 months) (3)	\$8,750- \$30,000	As arranged	Lump sum	Suppliers
Furniture, Fixtures and Equipment (4)*	\$1,500- \$50,000	As arranged	Lump sums as incurred	Suppliers
Service Center Equipment (5)*	\$2,000- \$70,000	As arranged	Lump sums as incurred	Suppliers
Signs and Awnings (6)*	\$2,000- \$50,000	As arranged	Lump sums as incurred	Approved suppliers
Security Deposit for Property and Utilities (7)	\$2,000- \$10,000	As arranged	Lump sums as incurred	Lessor, utility companies
Opening Inventory of Vehicles (8)	\$50,000- \$75,000	As incurred	Lump sums as incurred	Suppliers
Advertising and Grand Opening (9)	\$18,500- \$30,000	As incurred	Lump sum	Suppliers as incurred
Technology/ Phone/Security Systems (10)*	\$5,000- \$40,000	Upon installation	Lump sum	Approved suppliers
Bonds, Licenses and Business Permits (11)	\$1,000- \$5,000	As incurred	Lump sums as incurred	Agencies
Additional Funds – 6 months, see Note (12)	\$650,000- \$1,000,000	As incurred	Lump sums as incurred	Agencies

Expenditures	Estimated Amount or Estimated Low-High Range*	When Payable	Method of Payment	To Whom Paid
TOTAL ESTIMATED INITIAL INVESTMENT (13)	\$790,750-\$1,412,500			

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

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

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

2. At your option, you may purchase a starter kit from our approved suppliers, which contains monitoring, control boards, and other internal decorations.

3. The figures in the charts assume you will rent the space for your store and are based on our estimates of the cost of your rent for the premises. The ideal property is approximately 1.5 – 2 acres and the space for your on-premises building typically contains between 3,500 and 6,000 square feet. Rents will vary depending on factors, including size, conditions, location of the premises, the local real estate market conditions, and competition for the rent space. The figures in the charts include the first three months of rent at an estimated cost of \$10-\$20 per square foot per year for your on-premises building. In addition, some landlords may require additional security deposits

or rental payments when you sign a lease agreement. You should carefully investigate and evaluate all the potential costs associated with a particular franchise location. The estimates provided in the charts do not include construction costs. The actual amounts you pay under the lease agreements will vary depending on the size of the store, the types of charges allocated to tenants, your ability to negotiate with landlords, and the prevailing rental rates in the geographic region.

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

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

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

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

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

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

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

10. You will pay for the cost of third-party maintenance for hardware and software. A multi-line phone system will be required to support customers. A security system will also be necessary, including a safe. The low figures assume a lease of equipment and systems.

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

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

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

**YOUR ESTIMATED INITIAL INVESTMENT –
AREA DEVELOPMENT AGREEMENT RIDER**

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

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

1. The actual amount of the Development Fee is a function of the number of Byrider businesses you commit to developing under the Area Development Agreement. The Development Fee is \$17,500 multiplied by the number of franchises that you are obligated to acquire in order to satisfy your development schedule. While Byrider

Franchising and you may agree to deviate from it, the standard Area Development Agreement will require you to commit to acquiring between 1 and 4 franchises, in which case the Development Fee will be \$17,500 (for a 1-franchise commitment), \$35,000 (for a 2-franchise commitment), \$52,500 (for a 3-franchise commitment), \$70,000 (for a 4-franchise commitment) or \$87,500 (for a 5-franchise commitment). The Development Fee is fully earned by Byrider Franchising upon receipt and is not refundable, but Byrider Franchising will credit it, in \$17,500 increments, against the Initial Franchise Fees that become due as you execute Franchise Agreements with Byrider Franchising.

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

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

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

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

B. Compliance with Specifications. Byrider Franchising provides you with specifications for building exterior and interior and exterior signs, awnings and decorating accessories that will be required for the Business. You may purchase or lease original and replacement signs and decorating materials and services that meet these specifications from any source. If you propose to purchase or lease any sign or decorating materials not approved by Byrider Franchising, you must first notify Byrider Franchising. Byrider Franchising may then require you to submit sufficient specifications, photographs, drawings and/or other information and samples to determine whether the sign or decorating materials meets Byrider Franchising's specifications. Byrider Franchising is entitled to reasonable compensation and reimbursement of all expenses it

incurs to carry out these determinations, including costs of analysis and testing. Byrider Franchising will advise you within 30 days of your submission as to whether your proposed sign or decorating materials meet its specifications. Byrider Franchising also provides you with specifications for vehicle inventory that may be displayed and sold at the Business.

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

If you want to purchase products or services from sources not recommended or approved by Byrider Franchising, you must submit samples and specifications to Byrider Franchising for testing to determine whether the products or services comply with Byrider Franchising's standards and specifications. You must obtain Byrider Franchising's prior written approval before you use or sell any unapproved products or services. Byrider Franchising will not unreasonably withhold approval and will notify you within 30 days of your request that it has approved or rejected your proposed vendor or supplier. If Byrider Franchising rejects the proposed vendor or supplier, it will give you the reasons for rejection. If Byrider Franchising approves an alternative supplier or product or service, Byrider Franchising may revoke such approval upon 90 days' written notice.

Except for the technology system, there are currently no goods, services, supplies, fixtures, equipment, inventory or real estate for establishing your Business that you must purchase or lease from Byrider Franchising. However, to maintain the quality of goods and services provided by Byrider Businesses and the reputation of the System, Byrider Franchising periodically may require you to purchase or lease other services, equipment, products, materials and supplies that meet specifications and, for some items, Byrider Franchising may require you to purchase or lease from suppliers that Byrider Franchising approves or designates. There currently are no suppliers of products, services, equipment, supplies or materials that you must or may purchase in operating the Business in which any officer identified in Item 2 owns an interest.

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

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

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

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

D. Purchase Agreements, Material Benefits and Revenue.

Byrider Franchising and its affiliates may negotiate purchase arrangements including prices and terms, with designated approved suppliers for Byrider Businesses. Byrider Franchising and its affiliates may receive rebates or other payments from distributors, suppliers and other service providers based (directly or indirectly) on sales to franchisees. During 2020, Byrider Franchising's approved third-party reinsurance entity paid Byrider Franchising a \$0.485 rebate (contractor fee) per payment collected from premiums generated by franchisees. Byrider Franchising generated \$377,488 in rebates from this supplier during 2020. In addition, Byrider Franchising generated \$40,600 from franchisees' leasing of AnyConnect for VPN/NPA services during 2020, which constituted approximately 0.2% of Byrider Franchising's total revenue of \$19,969,759 during the year, according to its internal, unaudited financials.

Except as described above, during fiscal year ended December 31, 2020, neither Byrider Franchising nor any of its affiliates derived revenue or other material consideration from required purchases or leases of products or services from designated or approved suppliers by franchisees. Except as described above, neither Byrider Franchising nor its affiliates derived revenue from franchisee purchases or leases during the fiscal year ended December 31, 2020. We provide no material benefits to franchisees based on their use of approved suppliers.

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

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

- (i) Garage Liability Insurance: \$1,000,000 limit per occurrence with products and completed operations coverage included. Coverage must also include \$1,000,000 for Hired Autos and Non-Owned Autos liability. Coverage must also include a Broadened Garage endorsement for Personal and Advertising liability. You must insure Byrider Franchising against all claims, suits, obligations, liabilities and damages, including attorneys' fees, based upon or arising out of the actual or alleged personal injuries or property damage resulting from or occurring in the course of, or on or about or otherwise relating to your Business or the Business Location. Byrider Franchising may modify the required amounts from time to time to reflect inflation or further experience with claims.

- (ii) State Required Worker's Compensation and Employer's Liability Insurance: for all employees of your Business.
- (iii) Unemployment Insurance: for all employees of your Business.
- (iv) Truth-in-Lending Act Insurance: not less than \$300,000.
- (v) All Risks Coverage Insurance: on the Business Location and all fixtures, equipment, supplies and other property used in the operation of your Business, for full repair and replacement value of the machinery, equipment, improvements and betterments, without any applicable co-insurance clause except that an appropriate deductible of no more than \$50,000 shall be permitted.

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

For all required insurance coverage, you must: (a) name Byrider Franchising and its designated affiliates as additional insureds; (b) ensure that each policy extends to and provides indemnity for all obligations assumed by you under the Franchise Agreement and all other items for which you are required to indemnify Byrider Franchising under the Franchise Agreement; (c) ensure all such insurance coverage is primary to and non-contributory with respect to any other insurance purchased by Byrider Franchising; and (d) provide, by endorsement, that Byrider Franchising is entitled to receive at least 30 days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend said policy.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
a.	Site selection and acquisition/leases	Articles 6.4 and 7.3	Items 7 and 11
b.	Pre-opening purchases/leases	Articles 7.2, 7.3 and 9.5	Item 7
c.	Site development and other pre-opening requirements	Articles 7.2, 7.4 and 9.5	Item 11
d.	Software license requirements	Article 9.4 and Exhibit E	Item 11

	Obligation	Section in Franchise Agreement	Item in Disclosure Document
e.	Initial and ongoing training	Articles 6.1 and 6.8	Items 6 and 11
f.	Opening	Article 7.4	Items 5, 7, and 11
g.	Fees	Articles 9, 13.4 and 18.5	Items 5, 6 and 7
h.	Compliance with standards and policies/Operating Manual	Articles 6.2 and 6.3	Item
i.	Trademarks and proprietary information	Article 8	Items 11, 13 and 14
j.	Restrictions on products/services offered	Articles 7.7 and 7.18	Items 8 and 16
k.	Warranty and customer service requirements	Article 1.2	Item 6
l.	Territorial development and sales quotas	Articles 4.3 and 4.4	Item 12
m.	Ongoing product/service purchases	Article 7.7	Items 6, 8 and 16
n.	Maintenance, appearance and remodeling requirements	Articles 7.5 and 7.15	Item 8
o.	Insurance	Article 12	Item 6
p.	Advertising	Article 10	Items 6 and 11
q.	Indemnification	Article 11.3	Items 6, 11 and 13
r.	Owner's participation/management and staffing	Articles 6.1, 6.6, 6.8, 6.9 and 7.11	Item 15
s.	Records/reports	Articles 13.1 and 13.2	Item 11
t.	Inspections/audits	Article 13.3	Items 6 and 11
u.	Transfer	Article 14	Items 6 and 17
v.	Renewal	Articles 5.2 and 5.3	Item 17
w.	Post-termination obligations	Article 17	Item 17
x.	Non-competition covenants	Article 18	Item 17
y.	Dispute resolution	Article 19	Item 17

ITEM 10

FINANCING

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

ITEM 11

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

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

A. Pre-Opening Obligations.

Before you open the Business, Byrider Franchising provides:

1. **Site Approval.** You will select a site for your Business and submit the location to Byrider Franchising for approval. Byrider Franchising approves your Business location if the location is considered appropriate. Byrider Franchising considers several factors when it accepts or rejects a proposed site including demographics of the location, accessibility, daily traffic counts, level of competition, rent and construction costs and whether there is sufficient residential and commercial backup to support the Business. Byrider Franchising will provide you with written notice of approval or disapproval of the proposed site within 30 days after receiving your written proposal. If you do not receive our approval or disapproval within 30 days, the location will be considered disapproved and you will need to resubmit the site. In the event your submitted site is not approved, you will need to submit alternate sites until one is approved. You are responsible for acquiring a suitable site for your Business. Byrider Franchising does not typically own or lease the premises to you. (Franchise Agreement - Article 6.4)

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

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

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

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

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

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

5. **Technology Installation.** You will be responsible for acquiring, installing and maintaining all technology at your location. A stable, business-class internet connection (preferably redundant connections) will be required to access technology resources hosted by Byrider Franchising or third-party providers. Byrider Franchising will provide VPN client access for a fee on a per-location basis (Franchise Agreement - Article 13.2). You are required to maintain a secure environment with regular patching of Operating Systems and software. You may be required to periodically update technology (both hardware and software) at your location to match the current standards as they evolve over time. Byrider Franchising will assist you in the installation of the Proprietary Software in connection with your technology system.

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

B. Post-Opening Obligations.

During your operation of the Business, Byrider Franchising provides:

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

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

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

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

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

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

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

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

7. **Annual Meetings.** Byrider Franchising holds one to three annual meetings at which you must be represented. Byrider Franchising notifies you of the dates and locations of these meetings, and you are responsible for your own transportation and traveling expenses and your pro rata share of the meeting expenses that are associated with attending these meetings, which typically ranges between \$595 and \$920 for each

meeting. Byrider Franchising reserves the right to increase or decrease the number of meetings. (Franchise Agreement - Article 6.11).

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

Your required payment of the Advertising Fees to the Ad Group, as provided in Item 6, is excluded from the Advertising Spend Cap. The Ad Group Board of Directors consists of 6 elected Byrider Franchising franchisees and 3 appointed Byrider Franchising representatives that decide how to spend the contributions to the Ad Group. These funds are typically spent to produce advertising materials. These funds are not used to place advertisements in any given market. Byrider Franchising receives reimbursement for any expenses incurred with the development of advertising and promotional materials including 1) hotel, travel, and meals, 2) Byrider Franchising employee time, and 3) any other reasonable related expense. The board of directors have the power to change or dissolve the Ad Group.

In 2020, the Ad Group made expenditures as follows: Production (55% of funds); Administrative Expenses (42% of funds); Promotional Products (2% of funds); and Market Research (1% of funds). The Ad Group is not required to spend any particular amount on advertising in your area or territory. Any fees that are not spent in the year that they are contributed to the Ad Group are carried over to the next year. No part of the Ad Group is used to solicit franchise sales. Each year, Byrider Franchising will prepare a summary of the Ad Group's collections and activities, and you may obtain a copy of the summary for Byrider Franchising's most recently completed fiscal year by making a written request to Byrider Franchising. Byrider Franchising is not required to have the Ad Group fund audited.

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

In addition to the Advertising Fees and contributions to any National Advertising Fund, you must, if requested by Byrider Franchising, join a local advertising co-op, whose membership is defined by the region of your franchised location, and make contributions

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

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

D. Technology System. The Byrider Franchising technology system is made up of four components: 1) Byrider Franchising Proprietary Software, 2) off-the-shelf (third party) software, 3) local and centralized hardware, and 4) dealer management system with integrated customer relations management. You must license and use the Byrider Franchising technology system necessary to operate your day-to-day business (Franchise Agreement - Article 9.4) and maintain required records (Franchise Agreement - Articles 13.1 - 13.2). Byrider Franchising will have independent access to the data collected in your files.

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

Byrider Franchising owns the Proprietary Software. Byrider Franchising has the sole right to service, update and maintain the Proprietary Software. Byrider Franchising has the right to immediately deny access for specific causes, such as viruses, hackers, or performance degradation. Byrider Franchising maintains a specific level of standards for networks, security, software, hardware, and other features that all franchisees must be in compliance with. These standards are required to facilitate the common services provided by Byrider Franchising, and to minimize disruptions or security concerns throughout the franchise community. Other than the Proprietary Software, Byrider Franchising has no contractual obligation for maintenance, repairs, updates or upgrades

to the remaining components to your technology system. We currently estimate that it will cost \$5,000 to \$40,000 to purchase or lease hardware, software and other components of the technology system and the annual cost of maintenance, repairing, updating and upgrading the technology system will likely range from \$0 to \$75,000.

The Byrider Franchising Software consists of programs specially designed to the needs of your Business, and it includes programs that keep track of inventory and vehicle repairs, store customer information, assist in processing financing to customers, perform credit checks and record accounting transactions. Byrider Franchising will have unlimited independent access to the sales and vehicle repair information stored in your files. (Franchise Agreement - Article 13.2).

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

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

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

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

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

E. Training. Each franchisee must designate a manager who will devote his or her full-time efforts to the management of the day to day operation of your Business ("Designated Manager"). The Designated Manager must attend and successfully complete Byrider Franchising's Initial Training Program to Byrider Franchising's satisfaction at least 14 days prior to the opening. This requirement applies to the Designated Manager who is initially hired and any replacement Designated Managers. The Initial Training Program is available to the Designated Manager and up to three (3) additional employees without charge. Byrider Franchising will charge a nonrefundable fee in the amount of \$2,500 for each additional employee attending the Initial Training Program. The franchisee is responsible for travel and living expenses while employees are in a training mode. Formal training courses are conducted in Carmel, Indiana, at

Byrider Franchising's corporate office or selected regional sites. Byrider Franchising representatives provide additional in-store training in conjunction with the business opening. The length of these visits varies. Byrider Franchising offers formal classroom training bimonthly each year. Additional training programs may also be offered. Training events are located at Byrider Franchising's corporate office (Carmel, IN), select regional US locations or through webinars. Travel and entertainment expenses for these events are the responsibility of the franchisee. Online training certification is available via Byrider Franchising's corporate learning management system (LMS) (aka currently OnTrack - training.byrider.com) which can be accessed on Byrider Franchising's corporate portal (eByrider.com). The formal courses offered are as follows:

FORMAL, CLASSROOM TRAINING

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

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
those with a need to know)			Byrider Franchising selects or via webinars

Each person from your Business who completes the above training sessions to Byrider Franchising's satisfaction becomes classroom training certified in each area. Trainees receive certificates indicating successful completion of training in each area. See Exhibit E for the nature of the instructional material for each session.

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

Additional training and operational information may be obtained online via Byrider Franchising's corporate portal (eByrider.com) and Byrider Franchising's corporate learning management system (LMS) (OnTrack – training.byrider.com).

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

ITEM 12

TERRITORY

Unless specifically agreed otherwise, you will not receive an exclusive or protected territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your Business will be granted for a specific location or a location subject to Byrider Franchising's approval. You may choose to relocate your Business, but you must first obtain Byrider Franchising's written approval. Byrider Franchising will not operate or grant a franchise for the operation of another Byrider Business or Byrider Direct Business, the physical premises of such Business which is located within a protected territory designated by Byrider Franchising (the "Protected Territory"). However, Byrider Franchising may operate and grant franchises for the operation of Byrider Businesses in the Protected

Territory if Byrider Franchising delivers a notice of default under the Franchise Agreement to you, upon which you do not cure the default within the applicable cure period, if any.

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

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

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

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





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

ITEM 13

TRADEMARKS

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

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

Mark	Registration Number	Registration Date
CNAC CarNow Acceptance Company	1,839,624	June 14, 1994
CNAC	2,539,885	February 19, 2002
CarNow Acceptance Company	4,912,117	March 8, 2016
1 2 3 DRIVE (plus design)	2,492,626	September 25, 2001
CARS. CREDIT. CARE.	3,969,894	May 31, 2011
GOJDB	4,185,747	August 7, 2012
GOJDB.COM	4,403,955	September 17, 2013
	5,992,380	February 18, 2020
	5,992,381	February 18, 2020
	5,893,110	October 2, 2019
	5,992,382	February 18, 2020
BYRIDER	6,356,475	May 18, 2021
byrider	6,356,476	May 18, 2021
BUY. FINANCE. DRIVE ON.	6,356,478	May 18, 2021
byrider <small>BUY. FINANCE. DRIVE ON.</small>	6,356,477	May 18, 2021

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

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

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

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

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

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

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

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

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents that are material to the franchise.

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

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

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

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

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

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

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

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

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

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

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

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

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

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

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

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

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

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

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

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

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

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

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

Data Set and Methodology

As of December 31, 2020, there were a total of 112 Byrider Businesses independently owned and operated by franchisees. Of the 112 franchisee-owned stores, 3 remained temporarily closed since February, March and May 2020, respectively, and 4 had not been open for at least 12 months prior to the end of Byrider Franchising’s 2020 fiscal year end. The remaining 105 Byrider Businesses make up the “Complete Set” of franchisee-owned stores that operated during the entirety of Byrider Franchising’s 2020 fiscal year. The results shown in Table A-1 and Table A-2 below are the results of the Complete Set of 105 franchisee-owned stores.

For Tables A-1 and A-2 below, Byrider Franchising compiled the data, using composites from December 31, 2019 and December 31, 2020, that are not independently audited, using a 2-year annual average, because Byrider Businesses require that loss

reserves be established at the time a car is sold and a retail installment contract is initiated. Note, the Complete Set includes one (1) franchisee-owned store that opened in July 2019 which, in order to avoid skewing the 2019 results for this franchisee-owned store, Byrider Franchising has annualized the store's results by: (i) calculating the monthly average between July 2019 and December 2019, and (ii) multiplying that number by 12. Tables A-1 and A-2 do not include results from the 14 franchisee-owned stores that permanently closed during 2019 or 2020.

Table B below provides separate figures related to the operations of each of the franchisee-owned stores in the Complete Set during Byrider Franchising's 2020 fiscal year.

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

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TABLE A-1

Results of Byrider Franchisee-Owned Stores in Complete Set Based on 2 Years of Operations (periods ending December 31 in 2019 and 2020)

All 105 Franchise Locations	Average		% Met or	Median	
			Exceed		
Annual Vehicle Sales ⁶	325			294	
Sales Revenue ^{2, 11}	4,534,692	74.95%	42.86%	4,235,148	74.79%
Finance Revenue ^{3, 12}	1,515,640	25.05%	44.76%	1,424,769	25.16%
Total Revenue ^{4, 13}	6,050,332	100.00%	44.76%	5,662,451	99.96%
Cost of Goods Sold ⁵	3,990,896	65.96%	45.71%	3,792,900	66.98%
Total Gross Profit ⁷	2,059,436	34.04%	41.90%	1,977,478	34.92%
Total Operating Expense ⁸	1,478,571	24.44%	40.00%	1,408,692	24.88%
*Net Income from Operations (before taxes) ⁹	580,865	9.60%	42.86%	561,790	9.92%
<i>Net Income per Vehicle Sold</i> ¹⁰	1,786			1,911	

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

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TABLE A-2

Results of Byrider Franchisee-Owned Stores in Complete Set
Based on 2 Years of Operations (periods ending December 31 in 2019 and 2020)

STORE RESULTS BROKEN DOWN INTO QUARTILES

# Stores	26	First Quartile Average	% Met or Exceed Avg	First Quartile Median	# Stores	26	Second Quartile Average	% Met or Exceed Avg	Second Quartile Median				
Annual Vehicle Sales ⁶		441		408	Annual Vehicle Sales ⁶		306		300				
Sales Revenue ^{2,14}		6,353,549	74.53%	42.31%	5,852,412	72.24%	Sales Revenue ^{2,17}		4,402,410	73.46%	42.31%	4,304,493	71.75%
Finance Revenue ^{3,15}		2,170,950	25.47%	42.31%	1,959,560	24.19%	Finance Revenue ^{3,18}		1,590,362	26.54%	42.31%	1,523,187	25.39%
Total Revenue ^{4,16}		8,524,499	100.00%	46.15%	8,101,727	96.42%	Total Revenue ^{4,19}		5,992,772	100.00%	46.15%	5,999,479	97.14%
Cost of Goods Sold ⁵		5,520,295	64.76%	46.15%	5,138,361	63.42%	Cost of Goods Sold ⁵		3,874,307	64.65%	46.15%	3,780,111	63.01%
Total Gross Profit ⁷		3,004,204	35.24%	34.62%	2,774,379	34.24%	Total Gross Profit ⁷		2,118,466	35.35%	34.62%	2,051,168	34.19%
Total Operating Expense ⁸		1,686,485	19.78%	46.15%	1,560,162	19.26%	Total Operating Expense ⁸		1,407,303	23.48%	46.15%	1,353,411	22.56%
*Net Income from Operations (before taxes) ⁹		1,317,719	15.46%	38.46%	1,151,987	14.22%	*Net Income from Operations (before taxes) ⁹		711,163	11.87%	38.46%	695,445	11.59%
<i>Net Income per Vehicle Sold ¹⁰</i>		2,990		2,823	<i>Net Income per Vehicle Sold ¹⁰</i>		2,322		2,318				
# Stores	26	Third Quartile Average	% Met or Exceed Avg	Third Quartile Median	# Stores	27	Fourth Quartile Average	% Met or Exceed Avg	Fourth Quartile Median				
Annual Vehicle Sales ⁶		291		276	Annual Vehicle Sales ⁶		265		252				
Sales Revenue ^{2,20}		4,002,117	75.79%	42.31%	3,954,459	78.81%	Sales Revenue ^{2,23}		3,423,434	76.68%	44.44%	3,393,180	75.75%
Finance Revenue ^{3,21}		1,278,145	24.21%	38.46%	1,225,269	24.42%	Finance Revenue ^{3,24}		1,041,344	23.32%	40.74%	972,967	21.72%
Total Revenue ^{4,22}		5,280,261	100.00%	42.31%	5,017,683	103.23%	Total Revenue ^{4,25}		4,464,778	100.00%	51.85%	4,479,241	97.48%
Cost of Goods Sold ⁵		3,545,269	67.14%	38.46%	3,385,065	67.46%	Cost of Goods Sold ⁵		3,059,536	68.53%	44.44%	2,973,810	66.39%
Total Gross Profit ⁷		1,734,993	32.86%	34.62%	1,651,664	32.92%	Total Gross Profit ⁷		1,405,242	31.47%	44.44%	1,302,183	29.07%
Total Operating Expense ⁸		1,364,144	25.83%	42.31%	1,289,676	25.70%	Total Operating Expense ⁸		1,457,175	32.64%	44.44%	1,438,152	32.11%
*Net Income from Operations (before taxes) ⁹		370,849	7.02%	57.69%	399,581	7.96%	*Net Income from Operations (before taxes) ⁹		-51,932	-1.16%	55.56%	-15,800	-0.35%
<i>Net Income per Vehicle Sold ¹⁰</i>		1,276		1,448	<i>Net Income per Vehicle Sold ¹⁰</i>		-196		-63				

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

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Notes

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

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

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

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

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

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

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

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

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

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

Note 11 – “Sales revenue” ranges from \$1,408,050 to \$12,649,998

Note 12 – “Finance revenue” ranges from \$257,170 to \$3,622,564

Note 13 – “Total revenue” ranges from \$2,017,317 to \$16,264,084

Note 14 – “Sales revenue” ranges from \$2,964,408 to 12,649,998

Note 15 – “Finance revenue” ranges from \$921,948 to \$3,622,564

Note 16 – “Total revenue” ranges from \$3,886,356 to \$16,264,084

Note 17 – “Sales revenue” ranges from \$2,657,748 to \$6,078,606

Note 18 – “Finance revenue” ranges from \$866,132 to \$2,680,643

Note 19 – “Total revenue” ranges from \$3,645,026 to \$8,331,090

Note 20 – “Sales revenue” ranges from \$2,727,066 to \$5,913,228

Note 21 – “Finance revenue” ranges from \$520,700 to \$1,890,429

Note 22 – “Total revenue” ranges from \$3,707,104 to \$7,473,887

Note 23 – “Sales revenue” ranges from \$1,408,050 to \$5,052,888

Note 24 – “Finance revenue” ranges from \$257,170 to \$1,966,258

Note 25 – “Total revenue” ranges from \$2,017,317 to \$6,700,994

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TABLE B

Byrider Franchised Stores Systemwide Average Figures for 105 Stores Open During All 12 Months of the Calendar Year 2020

	<u>Average</u>	<u>% Met or Exceed Avg.</u>	<u>Median</u>
Vehicle Purchase Price	\$5,095	47.62%	\$5,119
Reconditioning Expense	\$1,843	54.29%	\$1,810
Down Payment (cash/trade/deferred)	\$2,107	39.05%	\$2,003
Gross Mark-Up	\$6,355	43.81%	\$6,290
Discount Rate	29.09%	80.95%	30.00%
Warranty Expense/Vehicle Sold	\$499	64.76%	\$443
Installment Contract Amount Financed	\$12,387	50.48%	\$12,370
Interest Rate	21.02%	48.57%	21.00%
Monthly Payment Equivalent Amount	\$417	49.52%	\$415
Net Charge Off (as % of Portfolio Amount)	13.15%	51.43%	13.20%
All Delinquency (% of accounts 1 or more days delinquent)	11.67%	61.90%	10.34%
Average Monthly Operating Expenses	\$147,566	60.95%	\$139,327

Notes

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

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

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

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

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

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

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

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

Note 34 – “Monthly Payment Equivalent Amount” means the scheduled payment obligation of the customer in the Retail Installment Contract. The majority of payments are made on a semi-monthly or bi-weekly basis and this figure represents the monthly equivalent.

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

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

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

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

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

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

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

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ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

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

Table No. 1

Systemwide Outlet Summary
For years 2018 to 2020

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2018	125	118	-7
	2019	118	116	-2
	2020	116	112*	-4
Company- Owned	2018	27	29	+2
	2019	29	31	+2
	2020	31	31	0
Total Outlets	2018	152	147	-5
	2019	147	147	0
	2020	147	143	-4

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

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2018 to 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Alabama	2018	0
	2019	1

Column 1	Column 2	Column 3
State	Year	Number of Transfers
	2020	0
Illinois	2018	2
	2019	0
	2020	1
Indiana	2018	1
	2019	0
	2020	0
Ohio	2018	1
	2019	0
	2020	0
Texas	2018	1
	2019	0
	2020	0
Total	2018	5
	2019	1
	2020	1

Table No. 3

Status of Franchised Outlets
For years 2018 to 2020

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2018	2	0	0	0	0	0	2
	2019	2	1	1	0	0	0	2
	2020	2	0	0	0	0	0	2

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Arizona	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Arkansas	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	1	0	0	0	0	5
Colorado	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Connecticut	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Florida	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Idaho	2018	1	1	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Illinois	2018	13	1	2	0	1	0	11
	2019	11	0	0	0	0	0	11
	2020	11	0	0	0	1	0	10
Indiana	2018	9	0	0	0	1	0	8
	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
Iowa	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Kentucky	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	1	0	0	0	2
Louisiana	2018	2	0	0	1	0	0	1
	2019	1	0	1	0	0	0	0
	2020	0	1	0	0	0	0	1
Maryland	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Massachusetts	2018	6	0	0	0	0	1	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Michigan	2018	6	0	0	0	0	0	6
	2019	6	0	1	0	0	0	5
	2020	5	1	0	0	0	0	6
Minnesota	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	1	0	0	0	0
Missouri	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Mississippi	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Nevada	2018	1	0	1	0	0	0	0

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
New Hampshire	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
New York	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
North Carolina	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	2*	1
	2020	1	0	0	0	0	0	1
Ohio	2018	9	1	2	0	0	0	8
	2019	8	0	0	1	0	0	7
	2020	7	0	0	0	0	0	7
Pennsylvania	2018	6	0	0	0	0	0	6
	2019	6	1	0	0	0	0	7
	2020	7	0	1	0	0	0	6
Rhode Island	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
South Carolina	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	0	0	0	0	0	3
Tennessee	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Texas	2018	10	1	1	0	0	0	10
	2019	10	0	0	0	0	0	10
	2020	10	1	2	0	0	0	9
Utah	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	2	0	0	0	0
Virginia	2018	3	0	2	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
West Virginia	2018	6	0	0	0	0	0	6
	2019	6	0	0	0	0	0	6
	2020	6	0	0	0	0	0	6
Wisconsin	2018	8	0	0	0	0	0	8
	2019	8	2	0	0	0	0	10
	2020	10	0	0	0	0	0	10
Totals	2018	125	5	8	1	2	1	118
	2019	118	4	3	1	0	2*	116
	2020	116	4	7	0	1	0	112**

* This represents the existing Byrider franchisee that converted to the pilot Byrider Direct model.

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

Table No. 4

Status of Company-Owned Outlets
For years 2018 to 2020

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Illinois	2018	0	1	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	1	0	0	2
Indiana	2018	5	1	0	0	0	6
	2019	6	0	0	0	0	6
	2020	6	0	0	0	0	6
Kentucky	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
Ohio	2018	14	0	0	0	0	14
	2019	14	1	0	0	0	15
	2020	15	0	0	1	0	14
Pennsylvania	2018	5	0	0	0	0	5
	2019	5	0	0	0	0	5
	2020	5	0	0	0	0	5
Tennessee	2018	1	0	0	0	0	1
	2019	1	1	0	0	0	2
	2020	2	0	0	0	0	2
Totals	2018	27	2	0	0	0	29
	2019	29	2	0	0	0	31
	2020	31	0	1	1	0	31

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2020

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet In The Next Fiscal Year	Column 4 Projected New Company-Owned Outlet In the Next Fiscal Year
Arizona	0	1	0
Arkansas	0	1	0
Colorado	0	1	0
Georgia	1	1	0
Illinois	1	1	0
Kentucky	0	1	0
Minnesota	0	1	0
Missouri	0	1	0
North Carolina	1	1	0
Oklahoma	0	0	0
Pennsylvania	0	0	0
Tennessee	0	0	0
Texas	0	3	0
Washington	0	0	0
Wisconsin	0	1	0
Total	3	13	0

Exhibit D is a list of the names of all of Byrider Franchising's franchisees as of December 31, 2020. Exhibit H is a list of the names, cities and states, and telephone numbers of franchisees who had a franchise terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during 2020 or who have not communicated with Byrider Franchising within 10 weeks of the Disclosure Document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

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

ITEM 21

FINANCIAL STATEMENTS

Exhibit A contains the audited consolidated financial statements of Byrider Holding Corp., which includes our net worth as a subsidiary, as of December 31, 2020, 2019, and 2018. Also included are the unaudited consolidated financial statements of Byrider Holding Corp. as of February 28, 2021. Byrider Franchising has sufficient net worth, but Byrider Holding Corp. has agreed to guarantee our liabilities and obligations to franchisees and under the franchise laws. Exhibit A contains a copy of this guarantee.

ITEM 22

CONTRACTS

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

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

ITEM 23

RECEIPT

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

EXHIBIT A
TO
FRANCHISE DISCLOSURE DOCUMENT



Byrider Holding Corp. and Subsidiaries

**Financial Report
December 31, 2020**

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Byrider Holding Corp.
Carmel, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Byrider Holding Corp. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Byrider Holding Corp. and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

RSM US LLP

Las Vegas, Nevada
March 31, 2021

Byrider Holding Corp. and Subsidiaries

Consolidated Balance Sheets (In thousands, except for share amounts)
December 31, 2020 and 2019

	2020	2019
Assets		
Contracts receivable	\$ 177,330	\$ 151,985
Securitization contracts receivable of consolidated variable interest entities (VIE)	252,198	271,587
Allowance for credit losses	(47,515)	(48,875)
Contracts receivable, net	<u>382,013</u>	<u>374,697</u>
Cash	2,961	1,892
Restricted cash and cash equivalents held in trust of consolidated VIEs	20,014	20,672
Accounts receivable	10,092	10,021
Inventories	17,531	24,227
Property and equipment, net	8,625	8,255
Intangibles, net	3,466	4,227
Goodwill	4,742	4,742
Deferred tax asset	150	83
Other assets	2,136	2,047
Repossessed assets	508	1,417
Total assets	<u>\$ 452,238</u>	<u>\$ 452,280</u>
Liabilities		
Revolving lines of credit, net (VIE balance of \$33,967 in 2020 and \$28,195 in 2019)	\$ 123,963	\$ 97,000
Mortgage and other notes payable	6,072	1,001
Secured notes payable of consolidated VIEs, net	194,720	211,529
Subordinated notes payable	86,669	82,456
Trade accounts payable	6,510	8,402
Accrued expenses	24,177	22,640
Lease disadvantage	156	290
Deferred revenue	60,577	56,465
Deferred tax liability	2,880	379
Total liabilities	<u>505,724</u>	<u>480,162</u>
Stockholders' Equity (Deficit)		
Class A preferred stock, \$.001 par value	-	-
Class A common stock, \$.001 par value	-	-
Class B common stock, \$.001 par value	-	-
Class C common stock, \$.001 par value	-	-
Treasury stock	(468)	(153)
Additional paid-in capital	92,120	86,820
Accumulated deficit	(145,138)	(114,549)
Total Stockholders' Equity (Deficit)	<u>(53,486)</u>	<u>(27,882)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 452,238</u>	<u>\$ 452,280</u>

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

**Consolidated Statements of Operations (In thousands)
Years Ended December 31, 2020 and 2019**

	2020	2019
Revenues:		
Automobile sales	\$ 157,294	\$ 187,585
Extended vehicle service contract revenue	19,242	12,096
Interest income	82,358	75,738
Franchise revenue	20,545	23,479
Total revenues	<u>279,439</u>	<u>298,898</u>
Expenses:		
Cost of revenue	139,051	152,104
Provision for credit losses	45,065	48,784
Interest expense	33,879	32,669
Automobile sales and finance operating expenses	69,474	66,169
General and administrative expenses	18,228	27,242
Total expenses	<u>305,697</u>	<u>326,968</u>
Net loss before income taxes	<u>(26,258)</u>	<u>(28,070)</u>
Income tax expense	2,706	589
Net loss	<u>\$ (28,964)</u>	<u>\$ (28,659)</u>

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

(In thousands, except for share amounts)
Years Ended December 31, 2020 and 2019

	Class A Preferred Stock		Class A Voting Common Stock		Class B Voting Common Stock		Class C Voting Common Stock		Class C Common Stock in Treasury		Additional Paid in Capital		Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Deficit	Equity (Deficit)
Balance at December 31, 2018	25,000	\$ -	7,659	\$ -	66,630	\$ -	33,253	\$ -	2,047	\$ (153)	86,820	\$ (84,265)	\$	2,402
Net Loss														(28,659)
Dividends														(1,625)
Balance at December 31, 2019	25,000	\$ -	7,659	\$ -	66,630	\$ -	33,253	\$ -	2,047	\$ (153)	86,820	\$ (114,549)	\$	(27,882)
Net Loss														(28,964)
Issuance of Common C							5,300				5,300			5,300
Repurchase of Common C									2,500	(315)				(315)
Dividends														(1,625)
Balance at December 31, 2020	25,000	\$ -	7,659	\$ -	66,630	\$ -	38,553	\$ -	4,547	\$ (468)	92,120	\$ (145,138)	\$	(53,486)

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

**Consolidated Statements of Cash Flows (In thousands)
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash Flows From Operating Activities		
Net loss	\$ (28,964)	\$ (28,659)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for credit losses	45,065	48,784
Deferred income taxes	2,434	279
Depreciation and amortization	6,816	5,936
Paid-in-kind interest	6,628	5,830
(Gain)/loss on disposal of property and equipment	(15)	32
Amortization of gain on sale leaseback	(404)	(404)
Installment contracts originated	(188,337)	(238,519)
Installment contracts repaid	146,751	140,771
(Increase) decrease in certain assets:		
Accounts receivable	(71)	(668)
Inventories	6,696	(3,093)
Other assets	929	(149)
(Decrease) increase in certain liabilities:		
Accounts payable and accrued expenses	(1,980)	862
Deferred revenue	4,516	27,364
Net cash provided by (used in) operating activities	64	(41,634)
Cash Flows From Investing Activities		
Installment contracts purchased from third parties	(12,907)	(5,796)
Repayments on installment contract purchased from third parties	2,112	192
Cash purchases of property and equipment	(2,487)	(2,976)
Net cash used in investing activities	(13,282)	(8,580)
Cash Flows From Financing Activities		
Net borrowings on revolving lines of credit	27,657	48,222
Principal payments on notes payable	(212)	(190)
Proceeds from notes payable	5,282	-
Proceeds from subordinated notes	5,300	-
Payments on subordinated notes	(9,324)	-
Proceeds from secured notes payable	118,423	134,603
Payments on secured notes payable	(135,435)	(130,494)
Debt issuance costs	(3,047)	(1,845)
Purchase of Class C common stock for treasury	(315)	-
Issuance of Class C common stock	5,300	-
Net cash provided by financing activities	13,629	50,296
Net increase in cash	411	82
Cash at beginning of year	22,564	22,482
Cash at end of year	\$ 22,975	\$ 22,564

(Continued)

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands) (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Supplemental disclosures		
Cash paid during the year for interest	\$ 22,785	\$ 22,949
Cash paid during the year for taxes	\$ 324	\$ 291
Capital leases added during the year	\$ -	\$ 439
Dividends declared, not paid during the year	\$ 1,625	\$ 1,625

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

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

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Operations: The accompanying financial statements include the consolidated financial statements for Byrider Holding Corp. ("Holding") and its subsidiaries, which are described below, as of and for the years ended December 31, 2020 and 2019 (hereinafter collectively referred to the "Consolidated Financial Statements"). Holding was formed to acquire the business on May 3, 2011. J.D. Byrider Systems, LLC, ("Systems"), through certain wholly-owned subsidiaries, and Byrider Sales of Indiana S, LLC ("Sales") are engaged in the business of selling used automobiles to the sub-prime consumer market and warehousing and servicing retail installment contracts made in connection with such sales. Systems, through a wholly-owned subsidiary, franchises its operational techniques, computer systems, trademarks, marketing, and general operations to franchisees. At December 31, 2020 and 2019, the Company had 112 and 118 operational franchises, respectively, and 31 and 31 Company-owned locations, respectively, in 29 states across the United States.

At December 31, 2020, Sales operated six automobile sales lots in Indiana, fourteen in Ohio, five in Pennsylvania, two in Kentucky, two in Tennessee and two in Illinois. Centralized finance centers, operated by Finance, support all stores. Most of the consolidated assets are managed by Byrider Finance, LLC ("Finance"), consisting primarily of retail installment contracts receivable. Byrider Properties, LLC ("Properties") leases land and buildings to Sales. Byrider Capital, LLC ("Capital") was incorporated to administer a finance receivable sale program for the Company and its franchisees and operates the sale of used automobiles in a single Tennessee sales lot. Byrider SPV, LLC ("SPV") was incorporated as a special purpose corporation to facilitate the sale of contracts receivable and is inactive. The J.D. Byrider Advertising Group ("Ad Group") was incorporated exclusively for the purpose of designing, developing, producing and implementing advertising and promotional materials and campaigns for the sole benefit and success of Byrider Franchising, LLC ("Franchising"). Byrider Funding, LLC ("Funding") was formed in 2012 as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On May 16, 2014 CNART Warehouse Funding I, LLC ("DB Warehouse") was formed as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On May 24, 2016 CarNow Auto Receivables Trust 2016-1 ("CNART 2016-1") was formed as a Delaware entity. On July 31, 2017, CarNow Auto Receivables Trust 2017-1 ("CNART 2017-1") was formed as a Delaware entity. On August 6, 2018, CarNow Auto Receivables Trust 2018-1 ("CNART 2018-1") was formed as a Delaware entity. On June 4, 2019, CarNow Auto Receivables Trust 2019-1 ("CNART 2019-1") was formed as a Delaware entity. On January 27, 2020, CarNow Auto Receivables Trust 2020-1 ("CNART 2020-1") was formed as a Delaware entity. These five entities are "bankruptcy remote subsidiaries" and were formed in conjunction with the securitization financing transactions completed between 2016 and 2020.

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

Principles of Consolidation: The consolidated financial statements include the consolidated financial statements of Byrider Systems Acquisition Corp. ("Systems Acquisition") and its wholly-owned subsidiaries: J.D. Byrider Systems, LLC, Byrider Franchising, LLC, Byrider Finance, LLC, Byrider Funding, LLC, CNART 2016-1, CNART 2017-1, CNART 2018-1, CNART 2019-1, CNART 2020-1, CNART Warehouse Funding I, LLC, Byrider Properties, LLC, J.D. Byrider Advertising Group, Inc. and the consolidated financial statements of Byrider Sales Acquisition Corp. ("Sales Acquisition") and its wholly-owned subsidiaries: Byrider Sales of Indiana S, LLC, Byrider Capital, LLC, and Byrider SPV, LLC, and Byrider Indiana Reinsurance Company, Ltd. All intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

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

Revenue Recognition: The material revenue streams of the Company include automobile sales and finance interest income, extended service contract revenue and franchise fee and royalty income. As of the period ending December 31, 2019, the Company has adopted ASC 606 for items within the scope of the standard. The adoption of ASC 606 has not had a material financial impact on the Company. The description of the revenue categories are as follows:

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

Byrider Holding Corp. and Subsidiaries

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

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

As previously discussed, revenue from extended service contracts, initial franchise fees and interest income are recognized over time, whereas automobile revenue and royalty revenue are recognized at a point in time. Total revenue recognized at a point in time and over time was as follows for the years ending December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenue recognized at a point in time	\$ 177,666	\$ 210,919
Revenue recognized over time	101,773	87,979
Total revenue	<u>\$ 279,439</u>	<u>\$ 298,898</u>

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

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

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

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

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

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

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

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

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

Byrider Holding Corp. and Subsidiaries

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

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

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

Goodwill: Goodwill is not amortized, but it is reviewed annually for impairment if impairment indicators arise. A quantitative impairment test is required comparing the fair value of the reporting unit with its carrying amount. A goodwill impairment loss is recognized for the amount that the carrying amount of a reporting unit, including goodwill, exceeds its fair value, limited to the total amount of goodwill allocated to that reporting unit. Alternatively, an entity may make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before completing the quantitative goodwill impairment test. If it is not more likely that the fair value of a reporting unit is less than its carrying amount, the quantitative goodwill impairment test is not required to be performed. The Company performed its annual review for impairment as of December 31, 2020 and 2019. No impairment existed at December 31, 2020 or 2019.

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

Impairment of Long-Lived Assets: Impairment of long-lived assets is recorded when long-lived assets used in operations or expected to be disposed of indicate impairment may exist and the cash flows expected to be derived from those assets are less than the carrying amounts of those assets. The Company has not identified any circumstances requiring evaluation and has not recorded any impairment charge for the periods ended December 31, 2020 and 2019.

Warranty Expense: Through July 2, 2018, the Company provided a limited warranty on substantially all automobiles sold for a period of the lesser of 24 months or 24,000 miles and in some cases for a period of the lesser of 36 months or 36,000 miles. A provision for estimated future costs related to the warranty is recorded when an automobile is sold. The sale of a vehicle with an imbedded warranty product was discontinued on July 3, 2018 and replaced with an optional refundable extended service contract.

Extended Service Contract: The Company offers an optional refundable extended service contract as an ancillary product available to each vehicle sold. The Company began the offering of optional refundable extended service contracts in different markets from March 2017 through July 2018. As of December 31, 2020, the product offered for sale was for a period of the lesser of 48 months or 60,000 miles.

Income Taxes: The entities file income tax returns on a separate standalone basis and, as such, Holding, Sales Acquisition, Systems Acquisitions, Ad Group, and Byrider Indiana Reinsurance Company, Ltd. each file separate federal and (to the extent allowed) separate state income tax returns. There are some states that require Holding, Sales Acquisitions and Systems Acquisitions to file combined or consolidated even if filing separate federal returns. Sales routinely sells its retail installment contracts to Finance at fair market value and is able to take a tax deduction at the time of sale for the difference between the fair value of the receivables sold and the retail installment contract balance. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation and a deferred tax liability has been recorded for this timing difference. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold and

Byrider Holding Corp. and Subsidiaries

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

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

have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

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.

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

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

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

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

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

ASC 820 provides a framework for measuring fair value under generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing

Byrider Holding Corp. and Subsidiaries

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

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

the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Fair value on a recurring basis: The table below represents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2020 and 2019.

	Interest Rate Cap			
	Total	Level 1	Level 2	Level 3
2020	\$ -	\$ -	\$ -	\$ -
2019	\$ -	\$ -	\$ -	\$ -

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

The following table presents the repossessed assets carried on the balance sheets by level within the fair value hierarchy (as described above) as of December 31, 2020 and 2019 for which a nonrecurring change in fair value has been recorded during these years.

	Repossessed Assets			
	Total	Level 1	Level 2	Level 3
2020	\$ 508	\$ -	\$ -	\$ 508
2019	\$ 1,417	\$ -	\$ -	\$ 1,417

Byrider Holding Corp. and Subsidiaries

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

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

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

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

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

Advertising and Promotion Costs: Advertising and promotion costs are charged to operations as they are incurred. Such costs totaled approximately \$5,503 and \$6,986 for the years ended December 31, 2020 and 2019, respectively.

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

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

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

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

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

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

Accounting Pronouncements Issued Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the right to use a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02, as modified by ASU 2020-05,

Byrider Holding Corp. and Subsidiaries

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

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

is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect the adoption of ASU 2016-02 may have on the consolidated financial statements and disclosures.

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

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

Reclassifications: Certain amounts reported in the 2019 consolidated financial statements have been reclassified to conform to classifications presented in the 2020 consolidated financial statements without affecting the previously reported results of operations or stockholders' equity.

Note 2. Contracts Receivable

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

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

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

Byrider Holding Corp. and Subsidiaries

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

Note 2. Contracts Receivable (Continued)

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

A summary of the Company's contracts receivable at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Contracts receivable	\$ 429,528	\$ 423,572
Less: Allowance for credit losses	(47,515)	(48,875)
Contracts receivable, net	<u>\$ 382,013</u>	<u>\$ 374,697</u>

A certain amount of the above contracts receivable (those owned by the Company's consolidated variable interest entities) are pledged as collateral for the variable interest entities' securitized debt. The balances of the contracts receivable at December 31, 2020 and 2019 were comprised of the following:

	<u>2020</u>	<u>2019</u>
Contracts receivable	\$ 177,330	\$ 151,985
Securitization contracts receivable of consolidated VIEs	252,198	271,587
Contracts receivable	<u>\$ 429,528</u>	<u>\$ 423,572</u>

Changes in the allowance for credit losses on contracts receivable for the years ended December 31, 2020 and 2019 are as follows:

Allowance as of December 31, 2018	\$ 53,084
Add: Provision for estimated credit losses	48,784
Less: Charge offs - net of recoveries	<u>(52,993)</u>
Allowance as of December 31, 2019	48,875
Add: Provision for estimated credit losses	45,065
Less: Charge offs - net of recoveries	<u>(46,425)</u>
Allowance as of December 31, 2020	<u>\$ 47,515</u>

The Company places contracts on a non-accrual status when they reach greater than 60 days past due. At December 31, 2020 and 2019, the Company had \$7,616 and \$6,502, respectively, of contracts on non-accrual status. Although the probability that these contracts are uncollectible has not reached the level to charge-off the contracts, management believes it is prudent to discontinue accruing interest income on these contracts. The following table is an assessment of the credit quality of the contractual balance of the contracts.

Byrider Holding Corp. and Subsidiaries

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

Note 2. Contracts Receivable (Continued)

Delinquency experience of the contractual amount of the contracts at December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>
Current	\$ 338,511	\$	341,702
1 - 30 days	65,197		56,972
31 - 60 days	18,204		18,396
61 - 90 days	5,818		3,700
90+ days	1,798		2,802
Total contractual amount	<u>\$ 429,528</u>	\$	<u>423,572</u>

Note 3. Restricted Cash and Cash Equivalents Held in Trust

The Company maintains various cash accounts, which are pledged as collateral under its debt agreements. The Company is permitted to invest funds in these accounts in short-term, high quality liquid investments which are considered cash and cash equivalents. Restricted cash and cash equivalents held in trust at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>		<u>2019</u>
Restricted cash	\$ 11,921	\$	15,886
Cash equivalents held in trust	8,093		4,786
	<u>\$ 20,014</u>	\$	<u>20,672</u>

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

Note 4. Inventories

Inventories at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>		<u>2019</u>
Used automobiles	\$ 17,107	\$	23,545
Other	424		682
Total inventories	<u>\$ 17,531</u>	\$	<u>24,227</u>

Byrider Holding Corp. and Subsidiaries**Notes to Consolidated Financial Statements
(In thousands except share and per share amounts)****Note 5. Property and Equipment**

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Land and improvements	\$ 814	\$ 814
Buildings and improvements	443	443
Furniture and equipment	9,349	8,911
Leasehold improvements	4,899	4,066
Capital leases	633	633
Construction in process	-	-
	<u>16,138</u>	<u>14,867</u>
Less: Accumulated depreciation	(7,513)	(6,612)
Total Property and equipment	<u>\$ 8,625</u>	<u>\$ 8,255</u>

Property and equipment held for sale as of December 31, 2020 and 2019 is \$0.

During the years ended December 31, 2020 and 2019, property and equipment under capital leases was \$633 and \$633, respectively.

During the years ended December 31, 2020 and 2019, depreciation expense was \$1,559 and \$1,523, respectively.

Note 6. Goodwill and Intangibles Assets and Liabilities

The Company's Goodwill is held under a single reporting unit. The carrying amount of goodwill was \$4,742 at December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, the Company recorded amortization of intangible assets and liabilities of \$627 and \$628, respectively. Intangibles, net at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Franchise agreements	\$ 10,000	\$ 10,000
Less: Accumulated amortization	(6,905)	(6,190)
	<u>3,095</u>	<u>3,810</u>
Tradename	700	700
Less: Accumulated amortization	(338)	(303)
	<u>362</u>	<u>397</u>
Lease Advantage	657	657
Less: Accumulated amortization	(648)	(637)
	<u>9</u>	<u>20</u>
Total Intangibles, net	<u>\$ 3,466</u>	<u>\$ 4,227</u>

Byrider Holding Corp. and Subsidiaries

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

Note 6. Goodwill and Intangibles Assets and Liabilities (Continued)

Future amortization of intangible assets is estimated as follows:

2021	759
2022	749
2023	749
2024	749
2025	273
Thereafter	187
Total	<u>\$ 3,466</u>

Liabilities related to unfavorable leases at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Unfavorable lease	\$ 3,260	\$ 3,260
Less: Accumulated amortization	(3,104)	(2,970)
Total unfavorable lease, net	<u>\$ 156</u>	<u>\$ 290</u>

Future amortization of unfavorable lease liabilities is estimated as follows:

2021	\$ 112
2022	44
Total	<u>\$ 156</u>

Note 7. Debt

Revolving Lines of Credit:

Borrowings under revolving lines of credit at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Installment contracts receivable line of credit	\$ 80,452	\$ 57,161
Inventory line of credit	11,212	12,618
Warehouse facility	33,967	28,195
Total revolving lines of credit	125,631	97,974
Less: Unamortized debt issuance costs	(1,668)	(974)
Revolving lines of credit, net	<u>\$ 123,963</u>	<u>\$ 97,000</u>

Installment Contracts Receivable Line of Credit: In 2017, Finance replaced a \$50,000 revolving line of credit facility (Installment Contracts Receivable Line of Credit) with a \$50,000 facility comprised of a \$10,000 revolving line of credit and a \$40,000 term loan. There was a minimum balance requirement on the term loan of \$40,000 as of August 7, 2019 and going forward. The credit facility requires monthly interest payments. Outstanding borrowings are secured by substantially all of the assets of the Company with the exception of certain assets defined in the debt agreement, such as contracts included in the securitization trusts, real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes, employee benefits and each deposit account related to the contracts included in the securitization trusts.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

In June and July 2019, the Company completed Amendments No. 4 & 5 to the Loan and Security Agreement ("LSA"). These amendments permitted certain levels of retail installment contract purchasing from franchisees, adjusted the applicable margin for the term loan, adjusted permitted lien amounts and temporarily increased the facility advance rate, adjusted covenant levels for the net loss ratio and fixed charge coverage ratio, modified the maximum facility amount to \$75,000 consisting of a \$25,000 revolver and a \$50,000 term, and extended the maturity date to June 7, 2022.

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

February 13	Amendment No. 6 – To modify language in relation to the vehicle title process and a temporarily increase the facility advance rate.
April 1	Amendment No. 7 – To document the subordination of four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling up to \$5,300.
April 30	Amendment No. 8 – To define COVID-19 deferred contracts and related borrowing eligibility within the facility, temporarily increase the facility advance rate, include a 1.00% minimum Base LIBOR for interest calculation purposes, and adjust the applicable margins on both the revolver and term loan.
July 7	Amendment No. 9 – To modify language permitting paydown of KKR's portion of subordinated debt, to include a minimum required reserve in the event of default, termination or other similar event related to CNART 2020-1 or in the event of a default under other agreements
July 21	Amendment No. 10 – To adjusted covenant levels for minimum tangible net worth, fixed charge coverage ratio, and leverage ratio, including changes to incorporate applicable SBA PPP Loan forgiveness impacts.
November 9	Amendment No. 11 – To modify definition of COVID-19 deferred contracts and related borrowing eligibility within the facility and temporarily increase the facility advance rate.
December 3	Amendment No. 12 – To modify the maximum facility commitment amount to \$100,000 consisting of a \$40,000 revolver and a \$60,000 term, include language defining benchmark replacement for LIBOR, and adjusting language related to the new inventory line of credit agreement.
December 31	Amendment No. 13 – To document the conversion of the four FRB unsecured subordinated promissory notes totaling \$5,300 into a related party promissory note.

The base minimum applicable margin interest rate was 6.50% for the revolver and 6.00% for the term loan at December 31, 2020 and 5.50% for the revolver and 5.00% for the term loan at December 31, 2019, respectively. The effective total interest rates for the periods ended December 31, 2020 and 2019 were 8.41% and 8.05%, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

Inventory Line of Credit: In 2019 and through December 2, 2020, Sales has an inventory floorplan with a finance company with maximum borrowings of up to \$15,000. Borrowings under this credit facility incurred interest at the rate published by the lender, available by request or on their secure website, minus 0.50%. The availability of borrowings was based on the purchase price of the inventory, not to exceed an inventory value based on an agreed-upon, industry used valuation metric. Outstanding borrowings were secured by the inventory units that comprise the floorplan balance. At December 31, 2019, the interest rate and outstanding balance for the inventory line of credit was 7.00% and \$12,618, respectively. On December 3, 2020, the facility was paid off in full and closed.

On December 3, 2020, Sales entered a new \$17,500 committed inventory line of credit facility with a finance company. The facility commitment can be increased to \$20,000 subject to lender approval. Borrowings under this facility incur interest at a base LIBOR rate plus an applicable base margin interest rate. The facility matures at the earliest of 90 days prior to the maturity date of any Subordinated Debt, the date on which the agreement has been terminated and all obligations under this facility have been repaid in full or December 3, 2023. The applicable base margin interest rate and effective total interest rate for the period ended December 31, 2020 were 5.50% and 7.63%, respectively. At December 31, 2020, the outstanding balance for the facility was \$11,212.

Warehouse Facility: Effective August 22, 2014, CNART Warehouse Funding I, LLC established a warehouse facility with Deutsche Bank ("DB") to hold installment contracts intended to be included in future asset-backed securitizations. Collateral consists of retail installment contracts transferred non-recourse from Finance to CNART Warehouse Funding I, LLC. As of December 31, 2020, borrowings are limited to the maximum of \$123,000 or the borrowing base calculated by applying an advance rate to the eligible installment contracts receivable balance as defined. Monthly interest payments are required with interest determined by a spread over 3-month LIBOR. In addition, a fee is paid monthly on the unused portion of the facility. This fee is equal to 40 basis points when the outstanding balance is greater than 50% of the commitment and during the 120-day period following a securitization, otherwise it is 60 basis points.

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

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

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

On August 8, 2018, the Company entered into a 3-month LIBOR interest rate cap derivative with quarterly notional values following a schedule that the Company has estimated will closely approximate the warehouse balance through December 31, 2020. This facility requires the Company to maintain an

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

interest rate cap derivative if certain 3-month LIBOR criteria have been met, which have not been met as of December 31, 2020 and 2019, and therefore do not make the interest rate cap a requirement through this period. The interest rate cap was measured and held at fair value on a recurring basis, which was \$0 as of December 31, 2019. The interest rate cap matured with a fair value of \$0 on December 31, 2020.

As of December 31, 2020, and 2019, the outstanding amount payable on the amended warehouse facility was \$33,967 and \$28,195, respectively.

Subordinated Notes Payable:

Borrowings under subordinated notes payable at December 31, 2020 and 2019, consisted of the following

	<u>2020</u>	<u>2019</u>
Term loan and security agreement	\$ 54,010	\$ 53,741
Promissory notes	-	3,496
Related party promissory note	34,553	28,557
Total subordinated notes payable	<u>88,563</u>	<u>85,794</u>
Less: Discount on notes payable	(1,070)	(1,935)
Less: Unamortized debt issuance costs	(824)	(1,403)
Subordinated notes payable, net	<u>\$ 86,669</u>	<u>\$ 82,456</u>

On April 1, 2020, the Company entered into four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling \$2,650, and the notes share the same terms. The annual interest rate for the notes is equal to the greater of the Prime Rate and 3.00%. Interest for the notes is paid monthly. The maturity of the notes is April 1, 2023. On April 28, 2020, the Company completed a First Amendment to Promissory Note for each of the four FRB notes that were originally executed on April 1, 2020. The amendment for each note doubled the original note balance, which increased the collective total of the notes to \$5,300. The notes were repaid in full December 31, 2020.

Term Loan and Security Agreement: Effective August 22, 2014, Finance entered into a Term Loan and Security Agreement ("TLSA") with various entities which are now controlled by KKR & Co., Inc. (KKR). The base note balance was \$52,500 as of December 31, 2020 and 2019. This note bears interest at LIBOR plus 10%, subject to a LIBOR floor of 1.25%. The note also includes a Payment In Kind (PIK) interest rate of 0.50% and the Company has the option to convert an additional 3% of current period interest to PIK. For the periods ended December 31, 2020 and 2019, the interest rate was 11.75% and 12.20%, respectively. Interest only payments are due quarterly with principal due on the June 7, 2022 maturity date. Outstanding borrowings are secured by certain assets of the Company excluding certain assets of Sales, Franchising and certain other assets defined in the debt agreement, such as real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes or employee benefits.

Amendments in 2019 permitted certain levels of retail installment contract purchasing from franchisees, adjusted the leverage ratio and charge off ratio covenant levels and extended the maturity date to June 7, 2022.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

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

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

For the period ending December 31, 2020 and December 31, 2019, the total balance of the note was \$54,010 and \$53,741, respectively, which includes PIK interest elections.

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

Related Party Promissory Notes: On March 30, 2018, the Company entered into an unsecured promissory note with its majority shareholder, Altamont, in the amount of \$20,423. The note matures on March 30, 2022, and bears a 20% interest rate, due semiannually. The Company may elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2020 and 2019 payment. The balance of the note, which includes PIK interest elections, was \$34,554 and \$28,557 as of December 31, 2020 and 2019, respectively.

Promissory Notes: On March 30, 2018, the Company entered into a collection of unsubordinated promissory notes with entities controlled by KKR in an aggregate amount of \$2,500. The notes had a scheduled maturity date of March 30, 2022 and a 20% interest rate, due semiannually. The Company could elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2020 and 2019 payment. In July 2020, the Company paid off the balance of the promissory notes in full. The balance of the notes, which includes PIK interest elections, was \$0 and \$3,496 as of December 31, 2020 and 2019, respectively.

Paycheck Protection Program: The Company received a loan from Fifth Third Bank, N.A. in the amount of \$5,282 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 7, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

Mortgages and Capital Leases: As of periods ending December 31, 2020 and December 31, 2019, the Company has various mortgage notes payable and capital leases totaling \$789 and \$1,001, respectively to different financial institutions with monthly installments of principal and interest at rates ranging from 5.25% to 6.50%. The notes have due dates ranging between the years of 2021 to 2027 and are secured by office buildings and land.

As of December 31, 2020, the aggregate principal payments required by the above long-term obligations and the three promissory notes were as follows:

Payable in:	Principal
2021	\$ 176
2022	219,661
2023	139
2024	69
2025	73
Thereafter	147
	<u>\$ 220,265</u>

On December 11, 2017, the Company entered into an asset-backed security transaction where \$126,310 was secured by \$174,229 of retail installment contracts and cash equivalents held in trust ("CNART 2017-1"). The following table is a summary of the securitization transaction as of December 31, 2020:

	Original Note/Debt Amount	Note/Debt Balance	Receivables Balance	Cash Reserve
CNART 2017-1	\$ 126,310	\$ -	\$ -	\$ -

Class	Rating	Interest Rate	2020
A	A	2.92%	\$ -
B	BBB	4.35%	-
C	BB	5.75%	-
			<u>\$ -</u>

The CNART 2017-1 securitization was rated in tranches at its inception with credit ratings of A to BB by S&P and Kroll Bond Rating Agency ("Kroll"). Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$0 and \$48,243 as of December 31, 2020 and 2019, respectively. On October 14, 2020, the Company exercised the option to purchase the remaining loans in the trust. At that time, the note balance was \$17,545 and the receivable balance was \$24,960.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

On November 20, 2018, the Company entered into an asset-backed security transaction where \$121,171 was secured by \$156,860 of retail installment contracts and cash equivalents held in trust ("CNART 2018-1"). The following table is a summary of the securitization transaction as of December 31, 2020:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2018-1	\$ 121,171	\$ 34,714	\$ 45,175	\$ 2,353

<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2020</u>
A	AA	3.61%	\$ -
B	A	4.26%	1,774
C	BBB	5.21%	21,960
D	BB	6.49%	10,980
			<u>\$ 34,714</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 4.26% to 6.49% at December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2018-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$34,714 and \$84,559 as of December 31, 2020 and 2019, respectively.

On August 13, 2019, the Company entered into an asset-backed security transaction where \$134,603 was secured by \$152,648 of retail installment contracts and cash equivalents held in trust ("CNART 2019-1"). The following table is a summary of the securitization transaction as of December 31, 2020:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2019-1	\$ 134,603	\$ 70,414	\$ 85,923	\$ 2,433

<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2020</u>
A	AA	2.72%	\$ 23,374
B	A	2.71%	14,600
C	BBB	3.36%	22,300
D	BB	4.62%	10,140
			<u>\$ 70,414</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 2.72% to 4.62% at December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2019-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$85,923 as of December 31, 2020.

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

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2020-1	\$ 118,730	\$ 91,511	\$ 121,100	\$ 2,961
	<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2020</u>
	A	AA	1.76%	\$ 39,691
	B	A	2.71%	11,840
	C	BBB	3.84%	20,730
	D	BB	7.36%	12,950
	E	BB	8.71%	6,300
				<u>\$ 91,511</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 1.76% to 8.70% at December 31, 2020. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2020-1 securitization was rated in tranches at its inception with credit ratings of AA to B by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$121,100 as of December 31, 2020.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

The debt maturities of securitized debt are determined based on the expected future cash flows of the assets included in the securitization. The secured notes payable of consolidated VIEs presented on the accompanying balance sheet related to these asset-backed securities transactions are presented net of their related net debt issuance costs of \$1,664 and \$1,816 at December 31, 2020 and December 31, 2019, respectively. The following table is a summary of secured notes payable of consolidated VIEs, net:

	2020	2019
CNART 2017-1	\$ -	\$ 36,318
CNART 2018-1	34,714	64,547
CNART 2019-1	70,414	112,480
CNART 2020-1	91,511	-
Total Secured notes payable of consolidated VIEs	196,639	213,345
Less: Discount on securitized notes	(255)	-
Less: Unamortized debt issuance costs	(1,664)	(1,816)
Secured notes payable of consolidated VIEs, net	\$ 194,720	\$ 211,529

As of December 31, 2020, the aggregate principal payments required or estimated to be paid by the above long-term obligations including revolving lines of credit, term loan and security agreement, promissory notes, mortgages, and secured notes payable were as follows:

Payable in:	Principal
2021	\$ 88,135
2022	196,285
2023	130,959
2024	1,305
2025	73
Thereafter	148
	<u>\$ 416,905</u>

Note 8. Related Party Transactions

As part of the acquisition by Altamont, the Company agreed to pay Altamont a quarterly management fee plus out of pocket expenses. During the periods ended December 31, 2020 and 2019, the Company recorded management fee expense of \$1,023 and \$1,001, respectively. The Company also entered into a consulting agreement with an employee of Altamont. For each of the periods ended December 31, 2020 and 2019, the Company recorded an expense of \$6 related to this consulting agreement.

The Company utilizes Credit Max Collection Agency, Inc. ("Credit Max"), a related party with similar ownership to the Predecessor Company, to perform bad debt recovery. As part of the agreement, Credit Max retains 50% of recoveries as a fee. For the periods ended December 31, 2020 and 2019, the Company paid Credit Max \$2,359 and \$2,425, respectively, related to these agreements.

The Company has operating lease agreements with related parties for store locations and office space with lease terms expiring between 2022 and 2029. Rental expense for related party operating leases was \$1,081 and \$1,098 for the periods ended December 31, 2020 and 2019, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 8. Related Party Transactions (Continued)

The future minimum rental payments for long-term related party lease obligations are summarized as follows:

Payable in:	Rental payments
2020	\$ 1,194
2021	1,112
2022	924
2023	825
2024	667
Thereafter	2,005
	<u>\$ 6,727</u>

Note 9. Commitments and Contingencies

The Company has long-term operating lease agreements for land, land improvements, office space, certain office equipment and automobiles with unrelated entities. The leases have varying terms expiring between 2021 and 2028. For the periods ended December 31, 2020 and 2019, rental expense for unrelated operating leases was \$5,387 and \$4,896, respectively.

Future minimum payments for long-term lease obligations, exclusive of the related party leases, are as follows:

Payable in:	Rental payments
2020	\$ 5,577
2021	5,185
2022	4,291
2023	3,015
2024	2,313
Thereafter	2,864
	<u>\$ 23,245</u>

In connection with the disposition of certain land and buildings in 2016, the Company entered into a long-term operating lease. The lease is classified as an operating lease and the gain realized on this transaction has been deferred and is being credited to income over the initial 10 year lease term. For the periods ended December 31, 2020 and 2019, the deferred gain totaled \$2,399 and \$2,802, respectively, and is reflected in the accompanying Consolidated Balance Sheet as Deferred revenue.

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

Byrider Holding Corp. and Subsidiaries

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

Note 10. Provision for Income Taxes

The Company's income tax provision is as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current		
Federal	\$ -	\$ 186
State	271	124
	<u>271</u>	<u>310</u>
Deferred		
Federal	2,026	215
State	409	64
	<u>2,435</u>	<u>279</u>
Total income tax expense	<u>\$ 2,706</u>	<u>\$ 589</u>

The Company has deferred tax assets and (liabilities) related to temporary differences as follows at December 31, 2020 and 2019:

Deferred tax assets:		
Transaction costs	\$ 605	\$ 802
Identified intangible assets	2,694	2,751
Goodwill	-	35
Warranty reserve	10	115
Fixed assets	1,088	684
Deferred revenue	7,619	3,916
Other	278	285
Net operating loss carryforwards	31,181	31,958
Interest expense	3,666	2,068
Payroll Deferral	241	-
Valuation allowance	(34,269)	(25,393)
Deferred tax assets	<u>13,113</u>	<u>17,221</u>
Deferred tax liabilities:		
Contracts receivable	(14,986)	(16,727)
Inventory	(471)	(682)
Goodwill	(267)	-
Other	(119)	(108)
Deferred tax liabilities	<u>(15,843)</u>	<u>(17,517)</u>
Total deferred tax liability	<u>\$ (2,730)</u>	<u>\$ (296)</u>

Income tax expense is computed separately for each company. Tax expense for 2020 and 2019 includes a benefit for the decrease in the valuation allowance for Systems Acquisition.

For the years ended December 31, 2020 and 2019, Systems Acquisition had separate company federal net operating loss carryforwards of approximately \$29,300 and \$49,300, respectively, and separate company state net operating loss carryforwards of \$17,900 and \$24,200, respectively. State net operating loss carryforwards and the federal losses generated prior to 2018 expire in varying amounts beginning in 2028. Approximately \$16,900 of the federal net operating losses have an indefinite carryforward period. The Company also has city net operating loss carryforwards that begin to expire in 2021. After considering the positive and negative evidence Management determine a valuation allowance is required related to certain state net operating loss carryforwards that existed at December 31, 2020, the valuation allowance decreased by \$689 during 2020.

Byrider Holding Corp. and Subsidiaries

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

Note 10. Provision for Income Taxes (Continued)

For the years ended December 31, 2020 and 2019, Sales Acquisition had separate company gross federal net operating loss carryforwards of \$98,800 and \$83,300, respectively, and separate company state net operating loss carryforwards of \$51,500 and \$44,900, respectively. State net operating loss carryforwards begin to expire in 2027 and federal net operating loss carryforwards generated prior to 2018 begin to expire in 2032. Approximately \$57,700 of the federal net operating losses have an indefinite carryforward period. The Company also has city net operating loss carryforwards that begin to expire in 2021. After considering positive and negative evidence, including the fact the company has a history of book and tax losses, the Company has a valuation allowance. For the period ended December 31, 2020 the valuation allowance increased by \$8,217.

For the years ended December 31, 2020 and 2019, Holding had separate company Federal net operating loss carryforwards of \$53 and \$49, respectively. The federal net operating loss carryforwards generated prior to 2018 begin to expire in 2036. Approximately \$4 of the federal net operating losses have an indefinite life. The Company is included in combined and/or consolidated state filings. It has no state net operating loss carryovers on a standalone basis. After considering positive and negative evidence, including the fact the company has a history of book and tax losses the Company has a valuation allowance. For the period ended December 31, 2020 the valuation allowance increased by \$1,311.

As discussed in Footnote 1 – in certain states the Companies file on a combined or consolidated basis. For the years ended December 31, 2020 and 2019, the Companies had consolidated and/or combined net operating carryforwards of \$3,900 and \$3,700, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2021.

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

Certain provisions of the CARES Act impact the 2020 income tax provision computations of the Company. The CARES Act contains modifications on the limitation of business interest for tax years beginning in 2019 and 2020. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income. As the Company only uses interest income to offset business interest limitations, the increase in percentage of adjusted taxable income did not affect taxable income in 2020.

Another provision of the CARES Act, as previously discussed, is the Paycheck Protection Program. While this loan may be forgiven and not included in federal taxable income, some states decouple from the CARES Act and require that the loan proceeds be included in state taxable income to the extent forgiven or assumed to be forgiven. This has resulted an increase to table income for these states.

The Company elected to defer payment of the employer's portion of Social Security Taxes, another provision of the CARES Act. The balance of this deferral for Sales Acquisition is \$988 as of December 31, 2020 and is included in accounts payable and accrued expenses in the consolidated balance sheets. Fifty percent of the balance is payable on or before December 31, 2021 and the other fifty percent is payable on or before December 31, 2022.

The Company is generally not subject to income tax examinations by federal tax authorities before 2017 and before 2016 for state taxing authorities. However, tax authorities can adjust net operating loss carryforwards generated before these dates.

Byrider Holding Corp. and Subsidiaries

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

Note 11. Warranty Obligations

Changes in the Company's product warranty liability, which is included in accrued expenses, for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning	\$ 467	\$ 2,450
Add: Provisions for warranty	136	86
Less: Claims	(562)	(2,069)
Balance, ending	<u>\$ 41</u>	<u>\$ 467</u>

Through 2017, the Company offered a warranty as a component of a vehicle purchased at twenty-four stores for the entire year. From March 2017 through July 2018, the Company began progressively offering an extended service contract, as described within Note 12, and no longer offered a combined warranty and vehicle as a single product. As of July 3, 2018, the sale of the combined warranty product had been fully discontinued. The warranty reserve balance at December 31, 2020 includes warranties sold through July 2, 2018, but does not include any amounts related to the extended service contracts.

Note 12. Extended Service Contracts

The extended service contract is an optional ancillary product for a customer to purchase aside a vehicle and replaced the imbedded warranty that had previously been included with the purchase of each vehicle. The extended service contract is a refundable, 48 month, 60,000 mile contract. By July 3, 2018, all markets had adopted the refundable extended service contract as an optional ancillary product with a vehicle sale. The Company defers the revenue from each sale at the time of the sale and recognizes the revenue ratably over the life of the contract. Costs to service these contracts are expensed when incurred. The Company believes the unearned deferred revenue is sufficient to cover future claims and refund obligations. Changes in the Company's extended service contract deferred revenue balance, which is included in deferred revenue, for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning	\$ 52,786	\$ 25,439
Add: New contracts (net)	37,523	44,100
Less: Cancellations	(13,731)	(4,657)
Less: Recognized Revenue	(19,242)	(12,096)
Balance, ending	<u>\$ 57,336</u>	<u>\$ 52,786</u>

Note 13. Reinsurance Activity

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

	2020	2019
Net premiums written	\$ 4,614	\$ 5,413
Earned premiums	4,614	5,413

The Company is required to maintain actuarially determined cash reserves which totaled \$243 and \$284 at December 31, 2020 and 2019, respectively. The Company had a payable of \$339 and \$389 at December 31, 2020 and 2019, respectively, which consisted of premiums collected from its customers and due to a third-party insurance company.

Byrider Holding Corp. and Subsidiaries

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

Note 14. Reserve for Insurance Claims

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

	2020	2019
Balance, beginning	\$ 436	\$ 375
Add: Provision for insurance claims	3,777	3,251
Less: Claims paid	(3,867)	(3,190)
Balance, ending	<u>\$ 346</u>	<u>\$ 436</u>

The above amounts are included in the accrued expenses of the balance sheet.

Note 15. Stockholders' Equity

Capital Stock

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

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

On March 30, 2018 the Board of Directors of the Company approved the issuance of 22,922 of Class C Common Stock, par value \$0.001 per share. The shares were issued aside subordinated notes payable issued on March 30, 2018 and in a share ratio proportionate to the note values. The Company recorded a net amount of \$2,706 as an equity contribution in relation to the debt and equity issuance.

On December 30, 2020 the Board of Directors of the Company approved the issuance of 5,300 of Class C Common Stock, par value \$0.001 per share. The Company recorded a net amount of \$5,300 as an equity contribution in relation to the equity issuance.

As of the periods ending December 31, 2020 and 2019, the total number of shares of capital stock that Holding had authority to issue were 160,000 shares, consisting of 25,000 Class A Preferred Stock, par value \$0.001 per share, 10,000 shares of Class A Common Stock, par value \$0.001 per share, 75,000 shares of Class B Common Stock, par value \$0.001 per share, and 50,000 shares of Class C Common Stock, par value \$0.001 per share.

Class A Preferred Stock has no voting rights (except as is required by law) and is to have quarterly dividends paid at a rate of 4.5% per annum for the period beginning on the date such share of Class A Preferred Stock is issued through the third anniversary of such date of issuance and 6.5% per annum thereafter. So long as any share of Class A Preferred Stock remains outstanding, the Company will not declare, pay or make any distribution relating to, or redeem, purchase, acquire or make a liquidation

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

payment relating to Common Stock or any other class or series of securities of the Company now existing or hereafter authorized over which the Class A Preferred Stock has preference or priority in payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company except for repurchases from employees approved by the Board of Directors. The Company may, at its option, at any time and from time to time other than in connection with a change of control, redeem all or any portion of the outstanding shares of Class A Preferred Stock; provided that any such redemption shall be in an amount equal to not less than the lesser of (i) 25% of the aggregate Class A Preferred Stock base amount, which is \$1,000 per share, of those shares of Class A Preferred Stock issued in connection with the Altamont acquisition and (ii) all shares of Class A Preferred Stock. The Company may, at its option, redeem all (but not less than all) outstanding shares of Class A Preferred Stock in connection with a change of control as defined in the amended and restated certificate of incorporation of Holding.

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

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

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

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

pursuant to this point 3, the holders of such shares shall share ratably in such liquidating distribution in proportion to the respective amounts which otherwise would be payable in respect of the shares held by them in connection with such distribution if the full amount payable on or with respect to such shares were paid in accordance with this point 3.

4. Fourth, after the full required amount of liquidating distributions have been made pursuant to 1 through 3 above, all holders of the shares of Common Stock, as a single class, shall thereafter be entitled to receive all remaining liquidating distributions pro rata based on the number of outstanding shares of Common Stock held by each holder.

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

The Company paid \$0 of dividends to the Class A Preferred Stock stockholders during either of the periods ended December 31, 2020 and 2019. For the periods ended December 31, 2020 and 2019, dividends payable was \$7,313 and \$5,668, respectively and are included in accrued expenses on the balance sheet.

2012 Equity Incentive Plan

On December 31, 2012, the Board of Directors of the Company approved the Byrider Holding Corp. 2012 Equity Incentive Plan ("2012 Equity Plan"). The 2012 Equity Plan allows the Company to issue up to 11,300 shares of stock to those key employees, directors, consultants and advisors to the Company who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The issuances under the 2012 Equity Plan can be any combination of the following: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) unrestricted stock, (v) stock units including restricted stock units, (vi) performance awards and (vii) awards (other than awards described in (i) through (vi) above) that are convertible into or otherwise based in Stock. The vesting period of the issuance under the 2012 Equity Plan is at the discretion of the Board of Directors and will have a maximum term not to exceed ten years from the date of grant. As of December 31, 2020 and 2019, 10,331 shares of restricted Common C were issued under the 2012 Equity Plan. The recipients of the awards paid or will pay cash for these restricted shares and is reflected as equity contributions for the fair value of the awards. As of December 31, 2020 and 2019, proceeds from 10,331 shares have been received. The Company has recorded compensation expense of \$0 for the periods ended December 31, 2020 and 2019, respectively. The fair value of the awards is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period. Expected volatilities are based on historical volatility of the Company's stock. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

2011 Phantom Equity Plan

On May 3, 2011, the Board of Directors of the Company approved the Byrider Holding Corp. 2011 Phantom Equity Plan ("2011 Phantom Plan"). The Equity Plan allows the Company to grant up to 7,500 shares of Class C Common Stock units to those key employees, directors, consultants and advisors to the Company or related entities, who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The vesting period of the shares is at the

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

discretion of the Board of Directors. The Class C Common Stock is only payable upon a liquidating event based upon the liquidation preferences of the Common Stock and as a result, no compensation expense will be recorded until a liquidity event occurs. As of December 31, 2012 the Board of Directors amended and restated the 2011 Phantom Plan ("Amended 2011 Phantom Plan"). The Amended 2011 Phantom Plan allows for 11,299.8 shares of Class C Common Stock Units to be available for issuance under the Amended 2011 Phantom Plan. As of December 31, 2020 and 2019, 10,331 shares of Class C Common Stock Units were granted in relation to this plan.

Note 16. Employee Benefit Plans

The Company sponsors an employee 401(k) plan covering substantially all employees, as defined. The Company contributions are based on a percentage of participant contributions to the Plan. For the periods ended December 31, 2020 and 2019, the Company contributed approximately \$1,432 and \$1,525, respectively, to the Plan.

The Company has a partially self-funded group health program. For 2020 and 2019, the Plan includes \$175 of specific stop loss insurance per individual per year with a minimum aggregate limit of \$7,333 and \$7,013, respectively. The Company recorded claims expense of \$5,093 and \$4,978 for the periods ended December 31, 2020 and 2019, respectively.

Note 17. Fair Value of Financial Instruments

The following estimated fair value amounts have been determined by the Company using available market information and other appropriate valuation techniques. These techniques are significantly affected by the assumptions used, such as the discount rate and estimates of future cash flows. Accordingly, the estimates made herein are not necessarily indicative of the amounts the Company could realize in a current market exchange, and the use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amount.

Cash - The carrying amount is a reasonable estimate of fair value.

Contracts Receivable - The fair value approximates carrying value as the retail installment contracts' rates are consistent with market rates for similar retail installment contracts for customers with similar credit risk profiles.

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

Restricted Cash and Cash Equivalents Held in Trust of Consolidated VIEs - The carrying amount is a reasonable estimate of fair value.

Revolving Lines of Credit, Warehouse Facility, Note Purchase and Security Agreement, Term Loan and Security Agreement, Promissory Note, Mortgages, Related Party Notes Payable, Secured Notes Payable - The fair value approximates carrying value as the Company is borrowing funds at a market rate.

Byrider Holding Corp. and Subsidiaries

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

Note 18. Subsequent Events

On January 29, 2021 and February 16, 2021, respectively, the Company completed Amendments No. 2 & No. 3 to the Credit and Security Agreement for its inventory line of credit. Amendment No. 2 related to subordination of a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the Minimum Liquidity covenant. Amendment No. 3 modified certain language around eligibility criteria for in-transit inventory.

On January 29, 2021, the Company completed Amendment No. 14 to the Loan and Security Agreement for its installment contract receivable line of credit. The amendment related to subordination of a \$1,600 FRB note and ability for FRB to issue a subordinated letter of credit of up to \$2,000, as well as modifying language around the Minimum Liquidity covenant.

On February 25, 2021, FRB issued an irrevocable standby letter of credit to the Company in an amount not to exceed \$2,000. This letter of credit currently expires on December 31, 2021 and can be automatically extended in each subsequent calendar year up to but not beyond December 31, 2023.

BYRYDER HOLDING CORP
 CONSOLIDATING SCHEDULE-BALANCE SHEET INFORMATION
 December 31, 2020

(In thousands)

ASSETS

	Byrider Sales Acquisition Corp.										Byrider Systems Acquisition Corp.										
	Sales Acq	Sales B	Capital	SPV	Ad Group	Systems Acq	Systems	Franchising	Finance	Properties	Funding	CMART 2017-1	CMART 2018-1	CMART 2019-1	CMART 2020-1	DB Warehouse	Holding	CPI	Eliminations	Consolidated	
ASSETS																					
Contracts receivable																					
Accounts receivable, net																					
Reservables, net																					
Cash		126		15				(308)	2,253			(14)				24		408		2,951	
Restricted cash and investments held in trust																				20,014	
Accounts receivable, related parties		8			305			3,186	6,484			4,520			1,923			109		10,092	
Accounts receivable, related parties	(2,509)	(59,345)	(788)	(18)	1	(65,284)	(10,730)	(131,228)	(23,350)	13,818	(3)	20,463	(5,479)	(10,539)	29,780	27,065	1,278		17,531		
Inventories		17,531						438	344	2,293										3,466	
Property and equipment, net		5,275						517	3,023											4,742	
Intangibles, net		458				6		1,267												150	
Goodwill																				150	
Deferred tax asset																				150	
Other assets	5,461	953			12	88,028	86,177	900	759	(51)						76,228			(252,763)	150	
TOTAL ASSETS	\$ 2,552	\$ (34,952)	\$ (773)	\$ (18)	\$ (763)	\$ 21,740	\$ 79,859	\$ 1,359,961	\$ 54,838	\$ 16,050	\$ (3)	\$ 20,463	\$ 44,777	\$ 82,111	\$ 80,943	\$ 78,578	\$ 109,429	\$ 1,845	\$ (255,763)	\$ 462,238	

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Liabilities																					
Notes payable																					
Subordinated notes payable		16,805							79,717	477			34,365	69,595	50,400	33,036	32,500			324,755	
Trade accounts payable		4,789			68			5,42	51,769											56,583	
Accrued expenses	(19)	5,065			602	3,214	207	3,738	10,674	73						2				24,177	
Lease obligations								64												156	
Deferred tax liability		57,335						842		2,398										60,877	
Total Liabilities	251	84,587			670	1,225	1,404	842	145,335	2,548			34,365	69,595	80,400	33,036	32,500			504,724	
Stockholders' Equity (Deficit)	232					4,438	1,611	5,123													
Class A preferred stock, \$.001 par value																					
Class A common stock, \$.001 par value																					
Class B common stock, \$.001 par value																					
Class C common stock, \$.001 par value																					
Accumulated deficit	5,685	5,440	20	10	99	70,447	87,985	32,817	55,810	4,951										(468)	
Accumulated deficit	(3,359)	(124,979)	(773)	(28)	(6)	(53,146)	(9,737)	98,021	(135,307)	8,150	(3)	20,463	10,392	12,176	445	45,542	13,398	1,825	(255,763)	62,290	
Total Stockholders' Equity (Deficit)	2,320	(119,539)	(773)	(18)	93	17,301	79,248	136,838	(80,497)	13,111	(3)	20,463	10,392	12,116	445	45,542	13,398	1,825	(255,763)	(53,468)	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,552	\$ (34,952)	\$ (773)	\$ (18)	\$ (763)	\$ 21,740	\$ 79,859	\$ 1,359,961	\$ 54,838	\$ 16,050	\$ (3)	\$ 20,463	\$ 44,777	\$ 82,111	\$ 80,943	\$ 78,578	\$ 109,429	\$ 1,845	\$ (255,763)	\$ 462,238	

BYRIDER HOLDING CORP

CONSOLIDATING SCHEDULE STATEMENT OF OPERATIONS INFORMATION

Year Ended December 31, 2020

(In thousands)

	ByRider Sales Acquisition Corp.		ByRider Systems Acquisition Corp.										Holding	Eliminations	Consolidated	
	Sales Acq.	SPV Capital	Systems Acq.	Systems	Franchising	Finance	Pipettes	Funding	CNART 2017-1	CNART 2018-1	CNART 2019-1	CNART 2020-1				DB Warehouse
REVENUE																
Automobile sales	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimated vehicle service contract revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Franchise revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPENSES																
Revenue, including provision for credit losses on contracts receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Automobile sales and finance operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate and interest allocations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Costs and Expenses	127	5,501	14	1,466	18,690	4,336	(277)	5	2,416	7,776	13,608	3,240	11,863	4,647	(4,031)	164,116
Income tax expense (benefit)	(127)	(33,276)	(428)	(4,015)	(15,419)	836	(654)	(353)	2,557	4,373	3,911	2,796	1,671	(258)	(4,031)	89,474
Income tax expense (benefit)	40	7	-	2,719	(1,246)	12,773	881	-	3,203	9,777	9,777	444	10,776	(6139)	(28,259)	2,706
NET INCOME (LOSS)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	(187)	(33,269)	(428)	(6,296)	(13,165)	17,773	581	-	3,203	9,777	9,777	444	10,776	(6,141)	(180)	(28,961)



Byrider Holding Corp. and Subsidiaries

**Financial Report
December 31, 2019**

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Byrider Holding Corp.
Carmel, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Byrider Holding Corp. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Byrider Holding Corp. and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

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

RSM US LLP

Las Vegas, Nevada
July 30, 2020

Byrider Holding Corp. and Subsidiaries

**Consolidated Balance Sheets (In thousands, except for share amounts)
December 31, 2019 and 2018**

	2019	2018
Assets		
Contracts receivable	\$ 151,985	\$ 94,391
Securitization contracts receivable of consolidated variable interest entities (VIE)	271,587	278,822
Allowance for credit losses	(48,875)	(53,084)
Contracts receivable, net	374,697	320,129
Cash	1,892	4,306
Restricted cash and cash equivalents held in trust of consolidated VIEs	20,672	18,176
Accounts receivable	10,021	9,353
Inventories	24,227	21,134
Property and equipment, net	8,255	5,395
Property and equipment held for sale, net	-	975
Intangibles, net	4,227	4,989
Goodwill	4,742	4,742
Deferred tax asset	83	66
Other assets	2,047	2,138
Repossessed assets	1,417	1,378
Total assets	\$ 452,280	\$ 392,781
Liabilities		
Revolving lines of credit, net (VIE balance of \$28,195 in 2019 and \$0 in 2018)	\$ 97,000	\$ 48,184
Mortgage notes payable	1,001	752
Secured notes payable of consolidated VIEs, net	211,529	207,320
Subordinated notes payable	82,456	75,556
Trade accounts payable	8,402	5,396
Accrued expenses	22,640	23,159
Lease disadvantage	290	424
Deferred revenue	56,465	29,505
Deferred tax liability	379	83
Total liabilities	480,162	390,379
Stockholders' Equity (Deficit)		
Class A preferred stock, \$.001 par value	-	-
Class A common stock, \$.001 par value	-	-
Class B common stock, \$.001 par value	-	-
Class C common stock, \$.001 par value	-	-
Treasury stock	(153)	(153)
Additional paid-in capital	86,820	86,820
Accumulated deficit	(114,549)	(84,265)
Total Stockholders' Equity (Deficit)	(27,882)	2,402
Total Liabilities and Stockholders' Equity (Deficit)	\$ 452,280	\$ 392,781

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

**Consolidated Statements of Operations (In thousands)
Years Ended December 31, 2019 and 2018**

	2019	2018
Revenues:		
Automobile sales	\$ 187,585	\$ 185,228
Extended vehicle service contract revenue	12,096	4,555
Interest income	75,738	67,571
Franchise revenue	23,479	24,152
Total revenues	<u>298,898</u>	<u>281,506</u>
Expenses:		
Cost of revenue	152,104	144,486
Provision for credit losses	48,784	56,888
Interest expense	32,669	28,582
Automobile sales and finance operating expenses	66,169	57,767
General and administrative expenses	27,242	24,826
Total expenses	<u>326,968</u>	<u>312,549</u>
Net loss before income taxes	<u>(28,070)</u>	<u>(31,043)</u>
Income tax expense (benefit)	589	(18)
Net loss	<u>\$ (28,659)</u>	<u>\$ (31,025)</u>

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)
(In thousands, except for share amounts)
Years Ended December 31, 2019 and 2018

	Class A Preferred Stock		Class A Voting Common Stock		Class B Voting Common Stock		Class C Voting Common Stock		Class C Common Stock in Treasury		Additional Paid in Capital		Accumulated Deficit		Total Stockholders' Equity (Deficit)			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Deficit	Equity (Deficit)				
Balance at December 31, 2017	25,000	\$ -	7,659	\$ -	66,630	\$ -	10,331	\$ -	2,047	\$ (153)	84,079	\$ (51,615)	\$	32,311				
Net Loss																		
Restricted C Share Grant Stock Compensation Issuance of Common C							22,922				35					35		
Dividends											2,706					2,706		
Balance at December 31, 2018	25,000	\$ -	7,659	\$ -	66,630	\$ -	33,253	\$ -	2,047	\$ (153)	86,820	\$ (84,265)	\$	(1,625)		2,402		
Net Loss																		
Dividends																		
Balance at December 31, 2019	25,000	\$ -	7,659	\$ -	66,630	\$ -	33,253	\$ -	2,047	\$ (153)	86,820	\$ (114,549)	\$	(27,882)		(28,659)		

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Net loss	\$ (28,659)	\$ (31,025)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	48,784	56,888
Deferred income taxes	279	(168)
Depreciation and amortization	5,936	5,568
Paid-in-kind interest	5,830	4,163
Loss on disposal of property and equipment	32	92
Amortization of gain on sale leaseback	(404)	(404)
Stock compensation expense	-	35
Installment contracts originated	(238,519)	(214,163)
Installment contracts repaid	140,771	128,133
(Increase) decrease in certain assets:		
Accounts receivable	(668)	1,407
Inventories	(3,093)	(545)
Other assets	(149)	(762)
Increase in certain liabilities:		
Accounts payable and accrued expenses	862	2,231
Deferred revenue	27,364	23,750
Net cash used in operating activities	(41,634)	(24,800)
Cash Flows From Investing Activities		
Installment contracts purchased from third parties	(5,796)	-
Repayments on installment contract purchased from third parties	192	-
Cash purchases of property and equipment	(2,976)	(2,082)
Proceeds from sale of property and equipment	-	2,023
Net cash used in investing activities	(8,580)	(59)
Cash Flows From Financing Activities		
Net borrowings on revolving lines of credit	48,222	6,351
Principal payments on notes payable	(190)	(1,189)
Proceeds from subordinated notes	-	32,531
Payments on subordinated notes	-	(12,000)
Proceeds from secured notes payable	134,603	121,171
Payments on secured notes payable	(130,494)	(127,872)
Debt issuance costs	(1,845)	(3,141)
Issuance of Class C common stock	-	2,706
Net cash provided by financing activities	50,296	18,557
Net increase (decrease) in cash	82	(6,302)
Cash at beginning of year	22,482	28,784
Cash at end of year	\$ 22,564	\$ 22,482

(Continued)

Byrider Holding Corp. and Subsidiaries

Consolidated Statements of Cash Flows (In thousands)(Continued)
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplemental disclosures		
Cash paid during the year for interest	\$ 22,949	\$ 20,669
Cash paid during the year for taxes	\$ 291	\$ 118
Capital leases added (disposed of) during the year	\$ 439	\$ -
Dividends declared, not paid during the year	\$ 1,625	\$ 1,625

See Notes to Consolidated Financial Statements.

Byrider Holding Corp. and Subsidiaries

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

Note 1. Organization and Summary of Significant Accounting Policies

Nature of Operations: The accompanying financial statements include the consolidated financial statements for Byrider Holding Corp. ("Holding") and its subsidiaries, which are described below, as of and for the years ended December 31, 2019 and 2018 (hereinafter collectively referred to the "Consolidated Financial Statements"). Holding was formed to acquire the business on May 3, 2011. J.D. Byrider Systems, LLC, ("Systems"), through certain wholly-owned subsidiaries, and Byrider Sales of Indiana S, LLC ("Sales") are engaged in the business of selling used automobiles to the sub-prime consumer market and warehousing and servicing retail installment contracts made in connection with such sales. Systems, through a wholly-owned subsidiary, franchises its operational techniques, computer systems, trademarks, marketing, and general operations to franchisees. At December 31, 2019 and 2018, the Company had 118 and 117 operational franchises, respectively, and 31 and 29 Company-owned locations, respectively, in 32 states across the United States.

At December 31, 2019, Sales operated six automobile sales lots in Indiana, fifteen in Ohio, five in Pennsylvania, two in Kentucky, two in Tennessee and one in Illinois. Centralized finance centers, operated by Finance, support all stores. Most of the consolidated assets are managed by Byrider Finance, LLC ("Finance"), consisting primarily of retail installment contracts receivable. Byrider Properties, LLC ("Properties") leases land and buildings to Sales. Byrider Capital, LLC ("Capital") was incorporated to administer a finance receivable sale program for the Company and its franchisees and operates the sale of used automobiles in a single Tennessee sales lot. Byrider SPV, LLC ("SPV") was incorporated as a special purpose corporation to facilitate the sale of contracts receivable and is inactive. The J.D. Byrider Advertising Group ("Ad Group") was incorporated exclusively for the purpose of designing, developing, producing and implementing advertising and promotional materials and campaigns for the sole benefit and success of Byrider Franchising, LLC ("Franchising"). Byrider Funding, LLC ("Funding") was formed in 2012 as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On May 16, 2014 CNART Warehouse Funding I, LLC ("DB Warehouse") was formed as a Delaware entity and is a wholly-owned special purpose subsidiary of Finance. On May 24, 2016 CarNow Auto Receivables Trust 2016-1 ("CNART 2016-1") was formed as a Delaware entity. On July 31, 2017, CarNow Auto Receivables Trust 2017-1 ("CNART 2017-1") was formed as a Delaware entity. On August 6, 2018, CarNow Auto Receivables Trust 2018-1 ("CNART 2018-1") was formed as a Delaware entity. On June 4, 2019, CarNow Auto Receivables Trust 2019-1 ("CNART 2019-1") was formed as a Delaware entity. These four entities are "bankruptcy remote subsidiaries" and were formed in conjunction with the securitization financing transactions completed between 2016 and 2019.

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

Principles of Consolidation: The consolidated financial statements include the consolidated financial statements of Byrider Systems Acquisition Corp. ("Systems Acquisition") and its wholly-owned subsidiaries: J.D. Byrider Systems, LLC, Byrider Franchising, LLC, Byrider Finance, LLC, Byrider Funding, LLC, CNART 2016-1, CNART 2017-1, CNART 2018-1, CNART 2019-1, CNART Warehouse Funding I, LLC, Byrider Properties, LLC, J.D. Byrider Advertising Group, Inc. and the consolidated financial statements of Byrider Sales Acquisition Corp. ("Sales Acquisition") and its wholly-owned subsidiaries: Byrider Sales of Indiana S, LLC, Byrider Capital, LLC, and Byrider SPV, LLC, and Byrider Indiana Reinsurance Company, Ltd. All intercompany accounts and transactions have been eliminated in consolidation.

Byrider Holding Corp. and Subsidiaries

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

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

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

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

Revenue Recognition: The material revenue streams of the Company include automobile sales and finance interest income, extended service contract revenue and franchise fee and royalty income. As of the period ending December 31, 2019, the Company has adopted ASC 606 for items within the scope of the standard. The adoption of ASC 606 has not had a material financial impact on the Company. The description of the revenue categories are as follows:

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

Byrider Holding Corp. and Subsidiaries

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

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

As previously discussed, revenue from extended service contracts, initial franchise fees and interest income are recognized over time, whereas automobile revenue and royalty revenue are recognized at a point in time. Total revenue recognized at a point in time and over time was as follows for the years ending December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Revenue recognized at a point in time	\$ 210,919	\$ 209,105
Revenue recognized over time	87,979	72,401
Total revenue	<u>\$ 298,898</u>	<u>\$ 281,506</u>

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

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

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

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

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

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

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

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

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

Byrider Holding Corp. and Subsidiaries

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

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

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

Goodwill: Goodwill is not amortized, but it is reviewed annually for impairment if impairment indicators arise. A two-step impairment test is required with the first step comparing the fair value of the reporting unit with its carrying amount. The second step of the impairment test is comparing the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If in the first step of the impairment test the fair value of the reporting unit exceeds the carrying amount of the reporting unit, then the second step of the impairment test is unnecessary. Alternatively, an entity may make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before completing the two-step goodwill impairment test. If it is not more likely that the fair value of a reporting unit is less than its carrying amount, the two-step goodwill impairment test is not required to be performed. The Company performed its annual review for impairment as of December 31, 2019 and 2018. No impairment existed at December 31, 2019 or 2018.

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

Impairment of Long-Lived Assets: Impairment of long-lived assets is recorded when long-lived assets used in operations or expected to be disposed of indicate impairment may exist and the cash flows expected to be derived from those assets are less than the carrying amounts of those assets. The Company has not identified any circumstances requiring evaluation and has not recorded any impairment charge for the periods ended December 31, 2019 and 2018.

Warranty Expense: Through July 2, 2018, the Company provided a limited warranty on substantially all automobiles sold for a period of the lesser of 24 months or 24,000 miles and in some cases for a period of the lesser of 36 months or 36,000 miles. A provision for estimated future costs related to the warranty is recorded when an automobile is sold. The sale of a vehicle with an imbedded warranty product was discontinued on July 3, 2018 and replaced with an optional refundable extended service contract.

Extended Service Contract: The Company offers an optional refundable extended service contract as an ancillary product available to each vehicle sold. The Company began the offering of optional refundable extended service contracts in different markets from March 2017 through July 2018. As of December 31, 2019, the product offered for sale was for a period of the lesser of 48 months or 60,000 miles.

Income Taxes: The entities file income tax returns on a separate standalone basis and, as such, Holding, Sales Acquisition, Systems Acquisitions, Ad Group, and Byrider Indiana Reinsurance Company, Ltd. each file separate federal and (to the extent allowed) separate state income tax returns. Sales routinely sells its retail installment contracts to Finance at fair market value and is able to take a tax deduction at the time of sale for the difference between the fair value of the receivables sold and the retail installment contract balance. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation and a deferred tax liability has been recorded for this timing difference. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

Byrider Holding Corp. and Subsidiaries

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

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

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.

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

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

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

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

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

ASC 820 provides a framework for measuring fair value under generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable

Byrider Holding Corp. and Subsidiaries

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

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

inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Fair value on a recurring basis: The table below represents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2019 and 2018.

	Interest Rate Cap			
	Total	Level 1	Level 2	Level 3
2019	\$ -	\$ -	\$ -	\$ -
2018	\$ 90	\$ -	\$ 90	\$ -

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

The following table presents the repossessed assets carried on the balance sheets by level within the fair value hierarchy (as described above) as of December 31, 2019 and 2018 for which a nonrecurring change in fair value has been recorded during these years.

	Repossessed Assets			
	Total	Level 1	Level 2	Level 3
2019	\$ 1,417	\$ -	\$ -	\$ 1,417
2018	\$ 1,378	\$ -	\$ -	\$ 1,378

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

Byrider Holding Corp. and Subsidiaries

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

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

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

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

Advertising and Promotion Costs: Advertising and promotion costs are charged to operations as they are incurred. Such costs totaled approximately \$6,986 and \$6,369 for the years ended December 31, 2019 and 2018, respectively.

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

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

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

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

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

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

Accounting Pronouncements Issued and Adopted: From time to time, new accounting pronouncements are issued by the FASB or other accounting standards setting bodies, which the Company may adopt as of the specified date required by each standard. Unless otherwise discussed, the Company believes the impact of recently issued standards that are not yet effective will not have a material impact on the consolidated financial statements upon adoption. The information below is not a comprehensive list of all new pronouncements. The Company has only included those pronouncements the Company believes the reader of the financial statements would find meaningful. The Company has excluded certain pronouncements that the Company believes do not apply to it or to the industry in which the Company operates.

Byrider Holding Corp. and Subsidiaries

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

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under GAAP. The new standard clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards. The FASB has also issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendments clarify the following two aspects of Topic 606: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. Byrider has adopted this standard for the period ending December 31, 2019 and has applied the modified retrospective transition method. Adoption of the standard has not had a material impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial statements. ASU 2016-01 will be effective for the Company for fiscal years beginning after December 15, 2018. The Company adopted this standard prospectively for the period ending December 31, 2019 and it did not have a material impact on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance clarifies the presentation and classification in the statement of cash flows of several areas in which there was previously diversity in practice. The new standard is effective for fiscal years beginning after December 15, 2018, with earlier adoption permitted. The Company adopted this standard retrospectively for the periods ending December 31, 2019 and 2018 presented within this report, which did not have a material impact on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory*. The new standard improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The ASU is effective for fiscal years beginning after December 15, 2018. The Company adopted this standard through the modified retrospective method for the period ending December 31, 2019 and it did not have a material impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018. The Company adopted this standard retrospectively for the periods ending December 31, 2019 and 2018 presented within this report, which did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The amendments eliminate the requirement of performing Step 2 of the goodwill impairment test and simplify the process of recognizing goodwill impairment. The ASU is effective prospectively for fiscal years beginning after December 15, 2021. Early adoption is permitted on testing dates after January 1, 2017. The Company has adopted this standard for the period ending December 31, 2019 and it did not have a material impact on the Company's consolidated financial statements.

Accounting Pronouncements Issued Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard requires lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the right to use a specified asset for the lease term. Under

Byrider Holding Corp. and Subsidiaries

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

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

the new guidance, lessor accounting is largely unchanged. ASU 2016-02, as modified by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the effect the adoption of ASU 2016-02 may have on the consolidated financial statements and disclosures.

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

Reclassifications: Certain amounts reported in the 2018 consolidated financial statements have been reclassified to conform to classifications presented in the 2019 consolidated financial statements without affecting the previously reported results of operations or stockholders' equity.

Note 2. Contracts Receivable

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

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

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

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

Byrider Holding Corp. and Subsidiaries

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

Note 2. Contracts Receivable (Continued)

A summary of the Company's contracts receivable at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Contracts receivable	\$ 423,572	\$ 373,213
Less: Allowance for credit losses	(48,875)	(53,084)
Contracts receivable, net	<u>\$ 374,697</u>	<u>\$ 320,129</u>

A certain amount of the above contracts receivable (those owned by the Company's consolidated variable interest entities) are pledged as collateral for the variable interest entities' securitized debt. The balances of the contracts receivable at December 31, 2019 and 2018 were comprised of the following:

	<u>2019</u>	<u>2018</u>
Contracts receivable	\$ 151,985	\$ 94,391
Securitization contracts receivable of consolidated VIEs	271,587	278,822
Contracts receivable	<u>\$ 423,572</u>	<u>\$ 373,213</u>

Changes in the allowance for credit losses on contracts receivable for the years ended December 31, 2019 and 2018 are as follows:

Allowance as of December 31, 2017	\$ 56,784
Add: Provision for estimated credit losses	56,888
Less: Charge offs - net of recoveries	(60,588)
Allowance as of December 31, 2018	<u>53,084</u>
Add: Provision for estimated credit losses	48,784
Less: Charge offs - net of recoveries	(52,993)
Allowance as of December 31, 2019	<u>\$ 48,875</u>

The Company places contracts on a non-accrual status when they reach greater than 60 days past due. At December 31, 2019 and 2018, the Company had \$6,502 and \$5,703, respectively, of contracts on non-accrual status. Although the probability that these contracts are uncollectible has not reached the level to charge-off the contracts, management believes it is prudent to discontinue accruing interest income on these contracts. The following table is an assessment of the credit quality of the contractual balance of the contracts.

Delinquency experience of the contractual amount of the contracts at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current	\$ 341,702	\$ 307,166
1 - 30 days	56,972	46,684
31 - 60 days	18,396	14,290
61 - 90 days	3,700	3,164
90+ days	2,802	1,909
Total contractual amount	<u>\$ 423,572</u>	<u>\$ 373,213</u>

Byrider Holding Corp. and Subsidiaries

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

Note 3. Restricted Cash and Cash Equivalents Held in Trust

The Company maintains various cash accounts, which are pledged as collateral under its debt agreements. The Company is permitted to invest funds in these accounts in short-term, high quality liquid investments which are considered cash and cash equivalents. Restricted cash and cash equivalents held in trust at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>		<u>2018</u>
Restricted cash	\$ 13,272	\$	10,770
Cash equivalents held in trust	7,400		7,406
	<u>\$ 20,672</u>	\$	<u>18,176</u>

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

Note 4. Inventories

Inventories at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>		<u>2018</u>
Used automobiles	\$ 23,545	\$	20,618
Other	682		516
Total inventories	<u>\$ 24,227</u>	\$	<u>21,134</u>

Note 5. Property and Equipment

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>		<u>2018</u>
Land and improvements	\$ 814	\$	814
Buildings and improvements	443		443
Furniture and equipment	8,911		8,027
Leasehold improvements	4,066		2,086
Capital leases	633		245
Construction in process	-		46
	<u>14,867</u>		<u>11,661</u>
Less: Accumulated depreciation	(6,612)		(5,291)
Total Property and equipment	<u>\$ 8,255</u>	\$	<u>6,370</u>

Property and equipment held for sale as of December 31, 2019 and 2018 is \$0 and \$975, respectively. The 2018 balance consists of \$500 and \$475 in land and improvements and buildings, respectively, located at the Company's Lima, Ohio retail location. The Company continued operations at the Lima, Ohio location in 2019 and the property was not held for sale as of December 31, 2019.

Byrider Holding Corp. and Subsidiaries

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

Note 5. Property and Equipment (Continued)

During the years ended December 31, 2019 and 2018, property and equipment under capital leases was \$633 and \$245, respectively.

During the years ended December 31, 2019 and 2018, depreciation expense was \$1,523 and \$1,435, respectively.

Note 6. Goodwill and Intangibles Assets and Liabilities

The Company's Goodwill is held under a single reporting unit. The carrying amount of goodwill was \$4,742 at December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, the Company recorded amortization of intangible assets and liabilities of \$628 and \$627, respectively. Intangibles, net at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Franchise agreements	\$ 10,000	\$ 10,000
Less: Accumulated amortization	(6,190)	(5,476)
	<u>3,810</u>	<u>4,524</u>
Tradename	700	700
Less: Accumulated amortization	(303)	(268)
	<u>397</u>	<u>432</u>
Lease Advantage	657	657
Less: Accumulated amortization	(637)	(624)
	<u>20</u>	<u>33</u>
Total Intangibles, net	<u>\$ 4,227</u>	<u>\$ 4,989</u>

Future amortization of intangible assets is estimated as follows:

2020	761
2021	759
2022	749
2023	749
2024	749
Thereafter	460
Total	<u>\$ 4,227</u>

Byrider Holding Corp. and Subsidiaries

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

Note 6. Goodwill and Intangibles Assets and Liabilities (Continued)

Liabilities related to unfavorable leases at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Unfavorable lease	\$ 3,260	\$ 3,260
Less: Accumulated amortization	(2,970)	(2,836)
Total unfavorable lease, net	<u>\$ 290</u>	<u>\$ 424</u>

Future amortization of unfavorable lease liabilities is estimated as follows:

2020	\$	134
2021		112
2022		44
Total	<u>\$</u>	<u>290</u>

Note 7. Debt

Revolving Lines of Credit:

Borrowings under revolving lines of credit at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Installment contracts receivable line of credit	\$ 57,161	\$ 36,374
Inventory line of credit	12,618	13,378
Warehouse facility	28,195	-
Total revolving lines of credit	97,974	49,752
Less: Unamortized debt issuance costs	(974)	(1,568)
Revolving lines of credit, net	<u>\$ 97,000</u>	<u>\$ 48,184</u>

Installment Contracts Receivable Line of Credit: On August 7, 2017, Finance replaced its revolving line of credit (Installment Contracts Receivable Line of Credit) of maximum borrowings up to \$50,000 with a \$50,000 facility comprised of a \$10,000 revolving line of credit and a \$40,000 term loan. There is no minimum balance requirement for the revolving line of credit, and the target minimum balance of the term loan schedule is as follows: minimum balance of \$15,000 on August 7, 2017, minimum balance of \$25,000 on February 28, 2018, minimum balance of \$30,000 on August 7, 2018 and minimum balance of \$40,000 on August 7, 2019. The base minimum applicable margin interest rate was 5.50% for the revolver and 5.00% for the term loan at December 31, 2019 and the base minimum applicable margin for both the revolver and term loan was 5.50% at December 31, 2018. The effective total interest rate for the period ending December 31, 2019 and 2018 was 8.04% and 7.84%, respectively. The credit facility requires monthly interest payments. Outstanding borrowings are secured by substantially all of the assets of the Company with the exception of certain assets defined in the debt agreement, such as contracts included in the securitization trusts, real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes, employee benefits and each deposit account related to the contracts included in the securitization trusts. In 2018, the Company completed Waiver and Amendments to the Loan and Security Agreement that adjusted covenants for the leverage ratio, tangible net worth ratio and fixed charge coverage ratio. On June 7, 2019, the Company completed Amendment No. 4 to the Loan and Security Agreement. This amendment permitted certain

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

levels of retail installment contract purchasing from franchisees, adjusted the applicable margin for the term loan, adjusted covenant levels for the net loss ratio and fixed charge coverage ratio, modified the maximum facility amount to \$75,000 consisting of a \$25,000 revolver and a \$50,000 term, and extended the maturity date to June 7, 2022.

Inventory Line of Credit: Sales has an inventory floorplan with a finance company with maximum borrowings of up to \$15,000. There is no stated maturity date for this facility and the lender may terminate the agreement by submitting a 90 day notice of termination to the Company. Borrowings under this credit facility bear interest at the rate published by the lender, available by request or on their secure website, minus 0.50%. The availability of borrowings is based on the purchase price of the inventory, not to exceed an inventory value based on an agreed-upon, industry used valuation metric. Outstanding borrowings are secured by the inventory units that comprise the floorplan balance. At December 31, 2019 and 2018, the interest rates for the inventory line of credit were 6.75% and 7.00%, respectively.

In the event that the lender were to notify the Company of intent to reduce or terminate the agreement, the Company would actively seek an alternative lender for the inventory floorplan facility.

Warehouse Facility: Effective August 22, 2014, CNART Warehouse Funding I, LLC established a \$100,000 warehouse facility with Deutsche Bank to hold installment contracts intended to be included in future asset-backed securitizations. Collateral consists of retail installment contracts transferred non-recourse from Finance to CNART Warehouse Funding I, LLC. As of December 31, 2019, borrowings are limited to the maximum of \$125,000 or the borrowing base calculated by applying an advance rate to the eligible installment contracts receivable balance as defined. Monthly interest payments are required with interest determined by a spread over 3-month LIBOR. In addition, a fee is paid monthly on the unused portion of the facility. This fee is equal to 40 basis points when the outstanding balance is greater than 50% of the commitment and during the 120 day period following a securitization, otherwise it is 60 basis points.

On March 30, 2018 and April 13, 2018, the Company completed Amendments No. 9 and No. 10, respectively, which modified the leverage ratio and hedge requirement covenants. On November 1, 2018, the Company completed Amendment No. 11 to extend the termination date to May 1, 2020. The Company intends to renew this facility prior to the termination date. If the Company does not renew the credit facility prior to or as of the termination date, the facility converts to a term facility on May 2, 2020 and the borrowed balance will be reduced as payments are made to the trust account for the associated installment contracts.

On August 8, 2018, the Company entered into a 3-month LIBOR interest rate cap derivative with quarterly notional values following a schedule that the Company has estimated will closely approximate the warehouse balance through December 31, 2020. This facility requires the Company to maintain an interest rate cap derivative if certain 3-month LIBOR criteria have been met, which have not been met as of December 31, 2019 and 2018, and therefore do not make the interest rate cap a requirement through this period. The interest rate cap is measured and held at fair value on a recurring basis, which was \$0 and \$90 as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018 the outstanding amount payable to Deutsche Bank for the warehouse facility was \$28,195 and \$0, respectively.

The Company has a history of renewing its warehouse agreements prior to their expiration. The Company fully intends to renew its warehouse facility for a 12 month or greater duration prior to the termination date of the existing agreement with terms that are amicable to both parties.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

Subordinated Notes Payable:

Borrowings under subordinated notes payable at December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>		<u>2018</u>
Term loan and security agreement	\$ 53,741	\$	53,473
Promissory notes	3,496		2,889
Related party promissory note	28,557		23,601
Total subordinated notes payable	<u>85,794</u>		<u>79,963</u>
Less: Discount on notes payable	(1,935)		(2,545)
Less: Unamortized debt issuance costs	(1,403)		(1,862)
Subordinated notes payable, net	<u>\$ 82,456</u>	\$	<u>75,556</u>

Term Loan and Security Agreement: Effective August 22, 2014, Finance entered into a Term Loan and Security Agreement with various entities which are now controlled by KKR & Co., Inc. (KKR). The base note balance was \$52,500 as of December 31, 2019 and 2018. This note bears interest at LIBOR plus 10%, subject to a LIBOR floor of 1.25%. The note also includes a Payment In Kind (PIK) interest rate of 0.50% and the Company has the option to convert an additional 3% of current period interest to PIK. For the periods ended December 31, 2019 and 2018, the interest rate was 12.20% and 12.52%, respectively. Interest only payments are due quarterly with principal due on the June 7, 2022 maturity date. Outstanding borrowings are secured by certain assets of the Company with the exception of the assets of Sales, Franchising and certain other assets defined in the debt agreement, such as real estate owned by the Company, the IT system created by the Company and any bank accounts that are specifically used for payroll, payroll taxes or employee benefits.

Amendments in 2018 included changes to certain covenant ratios and increased the base note from \$40,000 to \$52,500 with no change to interest or maturity. On June 7, 2019, the Company completed the Seventh Amendment of the Term Loan and Security Agreement, which permitted certain levels of retail installment contract purchasing from franchisees, adjusted the leverage ratio and charge off ratio covenant levels and extended the maturity date to June 7, 2022. For the period ending December 31, 2019 and December 31, 2018, the total balance of the note was \$53,741 and \$53,473 respectively, which includes PIK interest elections.

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

Promissory Notes: On March 30, 2018, the Company entered into a collection of unsubordinated promissory notes with entities controlled by KKR in an aggregate amount of \$2,500. The notes mature on March 30, 2022, and bear a 20% interest rate, due semiannually. The Company may elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2019 and 2018 payment. The balance of the note, which includes PIK interest elections, was \$3,496 and \$2,889 as of December 31, 2019 and 2018, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

Related Party Promissory Notes: On March 30, 2018, the Company entered into an unsecured promissory note with its majority shareholder, Altamont, in the amount of \$20,423. The note matures on March 30, 2022, and bears a 20% interest rate, due semiannually. The Company may elect to convert interest due to PIK interest prior to each payment due date, which it has exercised for each 2019 and 2018 payment. The balance of the note, which includes PIK interest elections, was \$28,557 and \$23,601 as of December 31, 2019 and 2018, respectively.

Mortgages and Capital Leases: As of periods ending December 31, 2019 and December 31, 2018, the Company has various mortgage notes payable and capital leases totaling \$1,001 and \$752, respectively to different financial institutions with monthly installments of principal and interest at rates ranging from 5.25% to 6.50%. The notes have due dates ranging between the years of 2020 to 2027 and are secured by office buildings and land.

As of December 31, 2019, the aggregate principal payments required by the above long-term obligations and the three promissory notes were as follows:

Payable in:	Principal
2020	\$ 41,010
2021	176
2022	143,139
2023	154
2024	69
Thereafter	220
	<u>\$ 184,768</u>

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

On December 15, 2016, the Company entered into an asset-backed security transaction where \$109,760 was secured by \$162,623 of retail installment contracts and cash equivalents held in trust ("CNART 2016-1"). The following table is a summary of the securitization transaction as of December 31, 2019:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2016-1	\$ 109,760	\$ -	\$ -	\$ -
	<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2019</u>
	A	AA	2.26%	\$ -
	B	A	3.49%	-
	C	BBB	5.11%	-
	D	BB	7.34%	-
				<u>\$ -</u>

The CNART 2016-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by S&P. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$0 and \$38,726 as of December 31, 2019 and 2018, respectively. On July 15, 2019, the Company exercised the option to purchase the remaining loans in the trust. At that time, the note balance was \$16,182 and the receivable balance was \$23,145.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

On December 11, 2017, the Company entered into an asset-backed security transaction where \$126,310 was secured by \$174,229 of retail installment contracts and cash equivalents held in trust ("CNART 2017-1"). The following table is a summary of the securitization transaction as of December 31, 2019:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2017-1	\$ 126,310	\$ 36,318	\$ 48,243	\$ 2,614

<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2019</u>
A	A	2.92%	\$ 1,478
B	BBB	4.35%	23,090
C	BB	5.75%	11,750
			<u>\$ 36,318</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 2.92% to 5.75% at December 31, 2019. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2017-1 securitization was rated in tranches at its inception with credit ratings of A to BB by S&P and Kroll Bond Rating Agency ("Kroll"). Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$48,243 and \$96,073 as of December 31, 2019 and 2018, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

On November 20, 2018, the Company entered into an asset-backed security transaction where \$121,171 was secured by \$156,860 of retail installment contracts and cash equivalents held in trust ("CNART 2018-1"). The following table is a summary of the securitization transaction as of December 31, 2019:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2018-1	\$ 121,171	\$ 64,547	\$ 84,559	\$ 2,353

<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2019</u>
A	AA	3.61%	\$ 17,097
B	A	4.26%	14,510
C	BBB	5.21%	21,960
D	BB	6.49%	10,980
			<u>\$ 64,547</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 3.61% to 6.49% at December 31, 2019. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2018-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$ 84,559 and \$144,023 as of December 31, 2019 and 2018, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

On August 13, 2019, the Company entered into an asset-backed security transaction where \$134,603 was secured by \$152,648 of retail installment contracts and cash equivalents held in trust ("CNART 2019-1"). The following table is a summary of the securitization transaction as of December 31, 2019:

	<u>Original Note/Debt Amount</u>	<u>Note/Debt Balance</u>	<u>Receivables Balance</u>	<u>Cash Reserve</u>
CNART 2019-1	\$ 134,603	\$ 112,480	\$ 138,785	\$ 2,433

<u>Class</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>2019</u>
A	AA	2.72%	\$ 65,440
B	A	2.71%	14,600
C	BBB	3.36%	22,300
D	BB	4.62%	10,140
			<u>\$ 112,480</u>

These asset-backed securities outstanding have interest payable monthly at fixed rates ranging from 2.72% to 4.62% at December 31, 2019. Higher rated note classes are paid first. Credit enhancements for the asset-backed securities consists of a reserve account, over collateralization, and subordination of certain classes of note in the trust to more senior classes of notes in the trust. Over collateralization represents retail installment contracts principal balance in excess of the face value of asset-backed securities issued. Cash reserves are funded with proceeds from the sale of asset-backed securities. The CNART 2019-1 securitization was rated in tranches at its inception with credit ratings of AA to BB by Kroll. Additionally, the Company has the option to purchase the remaining loans in the trust when the principal balances of the loans reach 15% or less of their original principal balance. The debt obligations will only be repaid from the cash flows related to the specific notes receivable balance of \$138,785 as of December 31, 2019.

Byrider Holding Corp. and Subsidiaries

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

Note 7. Debt (Continued)

The debt maturities of securitized debt are determined based on the expected future cash flows of the assets included in the securitization. The secured notes payable of consolidated VIEs presented on the accompanying balance sheet related to these asset-backed securities transactions are presented net of their related net debt issuance costs of \$1,816 and \$1,915 at December 31, 2019 and December 31, 2018, respectively. The following table is a summary of secured notes payable of consolidated VIEs, net:

	2019	2018
CNART 2016-1	\$ -	\$ 27,479
CNART 2017-1	36,318	71,095
CNART 2018-1	64,547	110,661
CNART 2019-1	112,480	-
Total Secured notes payable of consolidated VIEs	213,345	209,235
Less: Unamortized debt issuance costs	(1,816)	(1,915)
Secured notes payable of consolidated VIEs, net	<u>\$ 211,529</u>	<u>\$ 207,320</u>

As of December 31, 2019, the aggregate principal payments required or estimated to be paid by the above long-term obligations including revolving lines of credit, term loan and security agreement, promissory notes, mortgages, and secured notes payable were as follows:

Payable in:	Principal
2020	\$ 137,383
2021	62,120
2022	179,910
2023	18,411
2024	69
Thereafter	220
	<u>\$ 398,113</u>

Note 8. Related Party Transactions

As part of the acquisition by Altamont, the Company agreed to pay Altamont a quarterly management fee plus out of pocket expenses. During the periods ended December 31, 2019 and 2018, the Company recorded management fee expense of \$1,001 and \$1,311, respectively. The Company also entered into a consulting agreement with an employee of Altamont. For each of the periods ended December 31, 2019 and 2018, the Company recorded an expense of \$6 related to this consulting agreement.

The Company utilizes Credit Max Collection Agency, Inc. ("Credit Max"), a related party with similar ownership to the Predecessor Company, to perform bad debt recovery. As part of the agreement, Credit Max retains 50% of recoveries as a fee. For the periods ended December 31, 2019 and 2018, the Company paid Credit Max \$2,425 and \$2,111, respectively, related to these agreements.

The Company has operating lease agreements with related parties for store locations and office space with lease terms expiring between 2020 and 2024. Rental expense for related party operating leases was \$1,098 and \$1,384 for the periods ended December 31, 2019 and 2018, respectively.

Byrider Holding Corp. and Subsidiaries

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

Note 8. Related Party Transactions (Continued)

The future minimum rental payments for long-term related party lease obligations are summarized as follows:

Payable in:	Rental payments
2020	\$ 1,084
2021	823
2022	359
2023	171
2024	71
	<u>\$ 2,508</u>

Note 9. Commitments and Contingencies

The Company has long-term operating lease agreements for land, land improvements, office space, certain office equipment and automobiles with unrelated entities. The leases have varying terms expiring between 2020 and 2028. For the periods ended December 31, 2019 and 2018, rental expense for unrelated operating leases was \$4,896 and \$4,277, respectively.

Future minimum payments for long-term lease obligations, exclusive of the related party leases, are as follows:

Payable in:	Rental payments
2020	\$ 5,528
2021	5,309
2022	4,828
2023	3,946
2024	2,687
Thereafter	4,765
	<u>\$ 27,063</u>

In connection with the disposition of certain land and buildings in 2016, the Company entered into a long-term operating lease. The lease is classified as an operating lease and the gain realized on this transaction has been deferred and is being credited to income over the initial 10 year lease term. For the periods ended December 31, 2019 and 2018, the deferred gain totaled \$2,802 and \$3,206, respectively, and is reflected in the accompanying Consolidated Balance Sheet as Deferred revenue.

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

Byrider Holding Corp. and Subsidiaries

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

Note 10. Provision for Income Taxes

The Company's income tax provision is as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Current		
Federal	\$ 186	\$ 51
State	124	99
	<u>310</u>	<u>150</u>
Deferred		
Federal	215	(180)
State	64	12
	<u>279</u>	<u>(168)</u>
Total income tax expense (benefit)	<u>\$ 589</u>	<u>\$ (18)</u>

The Company has deferred tax assets and (liabilities) related to temporary differences as follows at December 31, 2019 and 2018:

Deferred tax assets:		
Transaction costs	\$ 802	\$ 926
Identified intangible assets	2,751	2,883
Goodwill	35	336
Warranty reserve	115	613
Fixed assets	684	1,002
Deferred revenue	3,916	200
Other	285	168
Net operating loss carryforwards	31,958	25,304
Interest expense	2,068	778
Valuation allowance	(25,393)	(18,534)
Deferred tax assets	<u>17,221</u>	<u>13,676</u>
Deferred tax liabilities:		
Contracts receivable	(16,727)	(12,954)
Inventory	(682)	(666)
Other	(108)	(73)
Deferred tax liabilities	<u>(17,517)</u>	<u>(13,693)</u>
Total deferred tax liability	<u>\$ (296)</u>	<u>\$ (17)</u>

In 2019 and 2018, Systems Acquisition had pre-tax book income and the other companies in the group had pre-tax book losses. Income tax expense is computed separately for each company. Tax expense for 2019 and 2018 includes a benefit for the release of part of the valuation allowance related to Systems Acquisition's pre-tax book income. In 2018 there was also a release in both the Systems Acquisition and Sales Acquisition valuation allowances related to the ability to utilize indefinite-lived deferred tax liabilities as a source of future taxable income in the Company's assessment of its realization of deferred tax assets. The ability to consider indefinite-lived deferred tax liabilities is a result of the U.S. tax law change

Byrider Holding Corp. and Subsidiaries

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

Note 10. Provision for Income Taxes (Continued)

that extends net operating losses generated in taxable years beginning after December 31, 2017 to an unlimited carryforward period (subject to certain annual income limitations). Reductions to the valuation allowance for Systems were offset by increases to valuation allowances related to the other companies in the group.

For the periods ended December 31, 2019 and 2018, Systems Acquisition had separate company gross federal net operating loss carryforwards of approximately \$49,300 and \$44,500, respectively, and separate company apportioned state net operating loss carryforwards of \$23,900 and \$17,800, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2019 for states while federal net operating loss carryforwards will begin to expire in 2034. Although management currently believes that achievement of future taxable income to realize the tax benefits of these net operating loss carryforwards is more likely than not, it is at least reasonably possible that this belief could change in the near term, resulting in the Company maintaining a valuation allowance. For the period ended December 31, 2019 the valuation allowance decreased by \$2,500.

For the years ended December 31, 2019 and 2018, Sales Acquisition had separate company gross federal net operating loss carryforwards of \$83,300 and \$60,200, respectively, and separate company apportioned state net operating loss carryforwards of \$39,200 and \$31,800, respectively. These net operating loss carryforwards expire in varying amounts beginning in 2027 for states while federal net operating loss carryforwards will begin to expire in 2032. Although management currently believes that achievement of future taxable income to realize the tax benefits of these net operating loss carryforwards is more likely than not, it is at least reasonably possible that this belief could change in the near term, resulting in the Company maintaining a valuation allowance. For the period ended December 31, 2019 the valuation allowance increased by \$8,200.

For the years ended December 31, 2019 and 2018, Holding had separate company gross Federal net operating loss carryforwards of \$49 and \$3,000, respectively. The federal net operating loss carryforwards expire beginning in 2036. The Company is included in combined or consolidated state filings and has no separate state net operating loss carryovers. Although management currently believes that achievement of future taxable income to realize the tax benefits of these net operating loss carryforwards is more likely than not, it is at least reasonably possible that this belief could change in the near term, resulting in the Company maintaining a valuation allowance. For the period ended December 31, 2019 the valuation allowance increased by \$940.

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

In December 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. This legislation makes significant changes in U.S. tax law including a reduction in the corporate tax rate to 21% starting in 2018 and has other provisions concerning income inclusion and deductibility of certain expenses.

The Company is generally not subject to income tax examinations by federal tax authorities before 2016 and before 2015 for certain state taxing authorities. A portion of the Company's net operating loss carryforwards originated prior to 2016. Tax authorities can adjust pre 2016 net operating loss carryforwards.

Byrider Holding Corp. and Subsidiaries

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

Note 11. Warranty Obligations

Changes in the Company's product warranty liability, which is included in accrued expenses, for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning	\$ 2,450	\$ 4,947
Add: Provisions for warranty	86	2,673
Less: Claims	(2,069)	(5,170)
Balance, ending	\$ 467	\$ 2,450

Through 2017, the Company offered a warranty as a component of a vehicle purchased at twenty-four stores for the entire year. From March 2017 through July 2018, the Company began progressively offering an extended service contract, as described within Note 12, and no longer offered a combined warranty and vehicle as a single product. As of July 3, 2018, the sale of the combined warranty product had been fully discontinued. The warranty reserve balance at December 31, 2019 includes warranties sold through July 2, 2018, but does not include any amounts related to the extended service contracts.

Note 12. Extended Service Contracts

The extended service contract is an optional ancillary product for a customer to purchase aside a vehicle and replaced the imbedded warranty that had previously been included with the purchase of each vehicle. The extended service contract is a refundable, 48 month, 60,000 mile contract. By July 3, 2018, all markets had adopted the refundable extended service contract as an optional ancillary product with a vehicle sale. The Company defers the revenue from each sale at the time of the sale and recognizes the revenue ratably over the life of the contract. Costs to service these contracts are expensed when incurred. The Company believes the unearned deferred revenue is sufficient to cover future claims and refund obligations. Changes in the Company's extended service contract deferred revenue balance, which is included in deferred revenue, for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning	\$ 25,439	\$ 1,652
Add: New contracts (net)	44,100	28,713
Less: Cancellations	(4,657)	(371)
Less: Recognized Revenue	(12,096)	(4,555)
Balance, ending	\$ 52,786	\$ 25,439

Note 13. Reinsurance Activity

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

	2019	2018
Net premiums written	\$ 5,413	\$ 5,283
Earned premiums	5,413	5,283

The Company is required to maintain actuarially determined cash reserves which totaled \$284 and \$281 at December 31, 2019 and 2018, respectively. The Company had a payable of \$389 and \$412 at December 31, 2019 and 2018, respectively, which consisted of premiums collected from its customers and due to a third-party insurance company.

Byrider Holding Corp. and Subsidiaries

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

Note 14. Reserve for Insurance Claims

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

	2019	2018
Balance, beginning	\$ 375	\$ 375
Add: Provision for insurance claims	3,251	3,155
Less: Claims paid	(3,190)	(3,155)
Balance, ending	<u>\$ 436</u>	<u>\$ 375</u>

The above amounts are included in the accrued expenses of the balance sheet.

Note 15. Stockholders' Equity

Capital Stock

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

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

On March 30, 2018 the Board of Directors of the Company approved the issuance of 22,922 of Class C Common Stock, par value \$0.001 per share. The shares were issued aside subordinated notes payable issued on March 30, 2018 and in a share ratio proportionate to the note values. The Company recorded a net amount of \$2,706 as an equity contribution in relation to the debt and equity issuance.

As of the periods ending December 31, 2019 and 2018, the total number of shares of capital stock that Holding had authority to issue were 160,000 shares, consisting of 25,000 Class A Preferred Stock, par value \$0.001 per share, 10,000 shares of Class A Common Stock, par value \$0.001 per share, 75,000 shares of Class B Common Stock, par value \$0.001 per share, and 50,000 shares of Class C Common Stock, par value \$0.001 per share.

Class A Preferred Stock has no voting rights (except as is required by law) and is to have quarterly dividends paid at a rate of 4.5% per annum for the period beginning on the date such share of Class A Preferred Stock is issued through the third anniversary of such date of issuance and 6.5% per annum thereafter. So long as any share of Class A Preferred Stock remains outstanding, the Company will not declare, pay or make any distribution relating to, or redeem, purchase, acquire or make a liquidation payment relating to Common Stock or any other class or series of securities of the Company now existing or hereafter authorized over which the Class A Preferred Stock has preference or priority in payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company except for repurchases from employees approved by the Board of Directors. The Company may, at its option, at any time and from time to time other than in connection with a change of

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

control, redeem all or any portion of the outstanding shares of Class A Preferred Stock; provided that any such redemption shall be in an amount equal to not less than the lesser of (i) 25% of the aggregate Class A Preferred Stock base amount, which is \$1,000 per share, of those shares of Class A Preferred Stock issued in connection with the Altamont acquisition and (ii) all shares of Class A Preferred Stock. The Company may, at its option, redeem all (but not less than all) outstanding shares of Class A Preferred Stock in connection with a change of control as defined in the amended and restated certificate of incorporation of Holding.

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

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

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

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

4. Fourth, after the full required amount of liquidating distributions have been made pursuant to 1 through 3 above, all holders of the shares of Common Stock, as a single class, shall thereafter be entitled to receive all remaining liquidating distributions pro rata based on the number of outstanding shares of Common Stock held by each holder.

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

The Company paid \$0 of dividends to the Class A Preferred Stock stockholders during either of the periods ended December 31, 2019 and 2018. For the periods ended December 31, 2019 and 2018, dividends payable was \$5,688 and \$4,063, respectively and are included in accrued expenses on the balance sheet.

2012 Equity Incentive Plan

On December 31, 2012, the Board of Directors of the Company approved the Byrider Holding Corp. 2012 Equity Incentive Plan ("2012 Equity Plan"). The 2012 Equity Plan allows the Company to issue up to 11,300 shares of stock to those key employees, directors, consultants and advisors to the Company who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The issuances under the 2012 Equity Plan can be any combination of the following: (i) stock options, (ii) stock appreciation rights, (iii) restricted stock, (iv) unrestricted stock, (v) stock units including restricted stock units, (vi) performance awards and (vii) awards (other than awards described in (i) through (vi) above) that are convertible into or otherwise based in Stock. The vesting period of the issuance under the 2012 Equity Plan is at the discretion of the Board of Directors and will have a maximum term not to exceed ten years from the date of grant. As of December 31, 2019 and 2018, 10,331 shares of restricted Common C were issued under the 2012 Equity Plan. The recipients of the awards paid or will pay cash for these restricted shares and is reflected as equity contributions for the fair value of the awards. As of December 31, 2019 and 2018, proceeds from 10,331 shares have been received. The Company has recorded compensation expense of \$0 and \$35 for the periods ended December 31, 2019 and 2018, respectively. The fair value of the awards is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period. Expected volatilities are based on historical volatility of the Company's stock. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

2011 Phantom Equity Plan

On May 3, 2011, the Board of Directors of the Company approved the Byrider Holding Corp. 2011 Phantom Equity Plan ("2011 Phantom Plan"). The Equity Plan allows the Company to grant up to 7,500 shares of Class C Common Stock units to those key employees, directors, consultants and advisors to the Company or related entities, who, in the opinion of the Board of Directors, are in a position to make a significant contribution to the success of the Company. The vesting period of the shares is at the discretion of the Board of Directors. The Class C Common Stock is only payable upon a liquidating event based upon the liquidation preferences of the Common Stock and as a result, no compensation expense will be recorded until a liquidity event occurs. As of December 31, 2012 the Board of Directors amended and restated the 2011 Phantom Plan ("Amended 2011 Phantom Plan"). The Amended 2011 Phantom Plan allows for 11,299.8 shares of Class C Common Stock Units to be available for issuance under the Amended 2011 Phantom Plan. As of December 31, 2019 and 2018, 10,331 shares of Class C

Byrider Holding Corp. and Subsidiaries

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

Note 15. Stockholders' Equity (Continued)

Common Stock Units were granted in relation to this plan.

Note 16. Employee Benefit Plans

The Company sponsors an employee 401(k) plan covering substantially all employees, as defined. The Company contributions are based on a percentage of participant contributions to the Plan. For the periods ended December 31, 2019 and 2018, the Company contributed approximately \$1,525 and \$1,340, respectively, to the Plan.

The Company has a partially self-funded group health program. For 2019 and 2018, the Plan includes \$175 of specific stop loss insurance per individual per year with a minimum aggregate limit of \$7,013 and \$6,740, respectively. The Company recorded claims expense of \$4,978 and \$4,705 for the periods ended December 31, 2019 and 2018, respectively.

Note 17. Fair Value of Financial Instruments

The following estimated fair value amounts have been determined by the Company using available market information and other appropriate valuation techniques. These techniques are significantly affected by the assumptions used, such as the discount rate and estimates of future cash flows. Accordingly, the estimates made herein are not necessarily indicative of the amounts the Company could realize in a current market exchange, and the use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amount.

Cash - The carrying amount is a reasonable estimate of fair value.

Contracts Receivable - The fair value approximates carrying value as the retail installment contracts' rates are consistent with market rates for similar retail installment contracts for customers with similar credit risk profiles.

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

Restricted Cash and Cash Equivalents Held in Trust of Consolidated VIEs - The carrying amount is a reasonable estimate of fair value.

Revolving Lines of Credit, Warehouse Facility, Note Purchase and Security Agreement, Term Loan and Security Agreement, Promissory Note, Mortgages, Related Party Notes Payable, Secured Notes Payable - The fair value approximates carrying value as the Company is borrowing funds at a market rate.

Byrider Holding Corp. and Subsidiaries

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

Note 18. Subsequent Events

On January 24, 2020, the Company opened its 32nd Company owned location in Bridgeview, Illinois.

On February 13, 2020, the Company completed Amendment No. 6 to the Loan and Security Agreement for its installment contract receivable line of credit. The amendment modified language in relation to the vehicle title process and temporarily increased the facility advance rate.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic. As of the date this report is issued, various states and localities within the United States are taking measures to contain the spread of COVID-19, which in some cases has impacted the vehicle sales function of automotive dealerships. In response to this, Byrider has suspended and subsequently reopened certain vehicle sales operations to align with affected states. Byrider cannot reasonably estimate the length or severity of this pandemic or its financial impact on the Company, but expects to experience a temporary reduction of sales volume and is carefully monitoring portfolio performance. Byrider has taken measurements to mitigate associated risks.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act includes several provisions including one-time payments to individuals, strengthened unemployment insurance, additional health-care funding, loans and grants to certain businesses and temporary amendments to the Internal Revenue Code. These amendments to the Internal Revenue Code would allow businesses to carry back net operating losses arising in 2018, 2019, and 2020 to the five prior tax years; suspends the 80% limitation on the utilization of federal net operating losses generated after Dec. 31, 2017 for taxable periods beginning before Jan. 1, 2021, and defer the remittance to the government of the employee share of some payroll taxes. The Act also increases the limit on the amount of deductible business interest expense from 30% of adjusted taxable income (ATI) to 50% of ATI, for taxable years beginning in 2019 or 2020. Under the Act, Companies may elect to calculate their 2020 interest expense limitation based on their 2019 ATI. The Company does not expect to realize any benefit from the provision to allow businesses to carry back net operating losses. Due to the valuation allowance, the Company does not expect to realize a benefit related new rules for the limitation of interest expense or the suspension of the 80% limitation on the utilization of federal net operating losses.

On April 1, 2020, the Company entered into four unsecured subordinated promissory notes through First Republic Bank ("FRB"), collectively totaling \$2,650, and the notes share the same terms. The annual interest rate for the notes is equal to the greater of the Prime Rate and 3.00%. Interest for the notes is paid monthly. The maturity of the notes is April 1, 2023.

On April 1, 2020, the Company extended its warehouse facility term to April 1, 2021.

On April 1, 2020, the Company completed the Eighth Amendment to Term Loan and Security Agreement for its unsecured subordinated promissory notes with KKR. The amendment related to the subordination of the April 1, 2020 FRB note and subsequent April 28, 2020 FRB note.

On April 1, 2020, the Company completed Amendment No. 7 to the Loan and Security Agreement for its installment contract receivable line of credit. The amendment related to the subordination of the April 1, 2020 FRB note and subsequent April 28, 2020 FRB note.

On April 28, 2020, the Company completed a First Amendment to Promissory Note for each of the four FRB notes that were originally executed on April 1, 2020. The amendment for each note doubled the original note balance, which increased the collective total of the notes to \$5,300. No other terms were modified.

Byrider Holding Corp. and Subsidiaries

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

Note 18. Subsequent Events (Continued)

On April 28, 2020, KKR approved the requirement to receive an independently audited annual report for the period ending December 31, 2019 to June 30, 2020.

On April 29, 2020, Deutsche Bank approved the requirement to receive an independently audited annual report for the period ending December 31, 2019 to July 31, 2020.

On April 30, 2020, the Company completed Amendment No. 8 to the Loan and Security Agreement for its installment contract receivable line of credit. The amendment modified definitions related to COVID-19 forbearance of contracts, extended the temporary advance rate increase and included a temporary increase to the interest rate for the related period, waived the minimum fixed charge coverage ratio requirement for the months of April 2020 and May 2020 and extended the requirement to receive an independently audited annual report for the period ending December 31, 2019 to July 31, 2020.

On May 7, 2020, a Paycheck Protection Program loan, through the U.S. Small Business Administration ("SBA"), was approved for Sales in the amount of \$5,282. The annual interest rate is 1.00% and the note term is 2 years. Principal and interest payments begin seven months following the date of issuance. The loan is eligible for varying levels of forgiveness, which is dependent on whether the proceeds are used in accordance with the federal forgiveness guidelines. As of the issuance date of this report, the Company believes that substantially all of the loan will be eligible for forgiveness.

On June 23, 2020, the Company completed a waiver for its installment contract receivable line of credit in relation to the minimum cash collections ratio requirement in the months of May 2020 and June 2020.

On July 11, 2020, the Company entered into an asset-backed security transaction where \$118,730 was secured by \$148,050 of retail installment contracts and cash equivalents held in trust under the issuing entity of CarNow Auto Receivables Trust 2020-1. At the time of this transaction, the unsecured promissory notes due to KKR with December 31, 2019 principal and PIK interest balances totaling \$3,496 were paid and settled in full.

On July 21, 2020, the Company completed Amendment No. 1 to the Amended and Restated Warehouse Agreement. The amendment adjusted the leverage ratio and tangible net worth covenants.

On July 21, 2020, the Company completed the Ninth Amendment to Term Loan and Security Agreement for its unsecured subordinated term loan. The amendment adjusted the leverage ratio and fixed charge coverage ratio covenants.

On July 21, 2020, the Company completed Amendment No. 10 to the Loan and Security Agreement for its installment contract receivable line of credit. The amendment adjusted the leverage ratio, fixed charge coverage ratio and tangible net worth covenants.

BYRIDER HOLDING CORP
CONSOLIDATING SCHEDULE-BALANCE SHEET INFORMATION
December 31, 2019

(In thousands)

ASSETS

	Byrider Sales Acquisition Corp.										Byrider Systems Acquisition Corp.										
	Sales Acq.	Sales S	Capital	SPV	Ad Group	Systems Acq	Systems	Franchising	Finance	Properties	Funding	CHART 2016-1	CHART 2017-1	CHART 2018-1	CHART 2019-1	DB Warehouse	Holding	CPI	Eliminations	Consolidated	
ASSETS																					
Contracts receivable																					
Accounts receivable, net of allowances																					
Receivables, net																					
Cash																					
Accounts receivable																					
Accounts receivable, related parties																					
Investments																					
Priority and equipment, net																					
Intangible assets, net																					
Goodwill																					
Deferred tax asset																					
Other assets																					
TOTAL ASSETS	\$ 2,679	\$ (9,891)	\$ (347)	\$ (14)	\$ 1,002	\$ 26,390	\$ 81,873	\$ 124,578	\$ 41,197	\$ 15,544	\$ (3)	\$ 20,859	\$ 59,793	\$ 71,138	\$ 114,427	\$ 67,785	\$ 101,636	\$ 2,455	\$ (255,763)	\$ 452,280	

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Notes payable																					
Subordinated notes payable																					
Trade accounts payable																					
Accrued expenses																					
Lease disallowance																					
Deferred revenue																					
Deferred tax liability																					
Total Liabilities																					
STOCKHOLDERS' EQUITY (DEFICIT)																					
Class A preferred stock, \$1.001 par value																					
Class A common stock, \$1.001 par value																					
Class B common stock, \$1.001 par value																					
Class C common stock, \$1.001 par value																					
Additional paid-in capital																					
Accumulated deficit																					
Total Stockholders' Equity (Deficit)																					
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,679	\$ (9,891)	\$ (347)	\$ (14)	\$ 1,002	\$ 26,390	\$ 81,873	\$ 124,578	\$ 41,197	\$ 15,544	\$ (3)	\$ 20,859	\$ 59,793	\$ 71,138	\$ 114,427	\$ 67,785	\$ 101,636	\$ 2,455	\$ (255,763)	\$ 452,280	

BYRIDER HOLDING CORP.
CONSOLIDATING SCHEDULE STATEMENT OF OPERATIONS INFORMATION
 Year Ended December 31, 2019

(In thousands)

	Byrider Sales Acquisition Corp.				Byrider Systems Acquisition Corp.										Eliminations	CPI	Consolidated			
	Sales Acq.	Sales S.	Capital	SPV	Ad Group	Systems Acq.	Systems	Franchising	Finance	Prepares	Funding	CNART 2016-1	CNART 2017-1	CNART 2018-1				CNART 2019-1	DB Warehouse	Holding
REVENUE																				
Automobile sales	\$ -	\$ 183,574	\$ 4,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,595
Extended vehicle service contract revenue	-	11,995	101	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,096
Interest income	-	844	-	-	-	-	-	36,013	-	-	3,871	9,125	12,746	4,676	8,513	-	-	-	-	75,738
Franchise revenue	-	-	-	-	-	203	21,460	-	36,013	105	3,881	9,125	12,746	4,676	-	-	-	-	-	23,479
Total Revenue	-	185,363	4,182	-	-	203	21,460	36,013	105	3,881	9,125	12,746	4,676	8,513	-	-	-	-	-	258,838
EXPENSES																				
Cost of sales, including provision for credit losses, on contracts receivable	-	193,770	4,127	-	-	-	1,970	(2,857)	-	-	-	-	-	-	-	-	-	-	-	200,838
Interest expense	-	2,016	-	-	-	-	3	14,133	-	-	570	2,158	3,791	1,574	2,142	-	6,174	-	-	32,669
Automobile sales and finance operating expenses	-	35,193	-	-	-	1,051	10,288	15,442	34,438	-	37	(21)	(1)	27	88	-	-	-	(3,512)	66,169
General and administrative expenses	-	230,699	4,522	4	-	1,051	10,288	17,415	45,743	(253)	707	2,137	3,790	1,631	2,200	-	294	-	-	27,242
Total Costs and Expenses	-	461,678	12,671	4	-	1,051	10,288	17,415	45,743	(253)	707	2,137	3,790	1,631	2,200	-	6,174	4,401	(3,701)	326,568
INCOME (LOSS) BEFORE INCOME TAXES	-	(183)	(9)	(4)	-	(1,051)	(10,085)	4,045	(9,700)	368	3,164	5,888	8,956	3,005	5,313	(6,174)	1,012	(1)	(1)	(28,070)
Income tax expense (benefit)	-	9	-	-	-	159	-	3	-	-	-	-	-	-	-	(2)	227	-	-	589
NET INCOME (LOSS)	\$ -	\$ (183)	\$ (9)	\$ (4)	\$ -	\$ (1,200)	\$ (10,085)	\$ 4,045	\$ (9,733)	\$ 368	\$ 3,164	\$ 5,888	\$ 8,956	\$ 3,005	\$ 5,313	\$ (6,172)	\$ 785	\$ (1)	\$ (1)	\$ (28,659)

Byrider Holding Corp. & Subsidiaries
Consolidated Financial Statements
Month Ended February 28, 2021
(Unaudited)



THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPION WITH REGARD TO THEIR CONTENTS OR FORM.

Byrider Holding Corp. & Subsidiaries

Consolidated Financial Statements

Month Ended February 28, 2021

(Unaudited)

Contents

Consolidated Financial Statements:

Balance Sheet

Statement of Operations

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPION WITH REGARD TO THEIR CONTENTS OR FORM.

Byrider Holding Corp. and Subsidiaries
Consolidated Balance Sheet (Unaudited)

	Period Ending 2/28/21
Assets	
Gross loans receivable	\$ 441,432,560
Allowance for credit losses	(49,665,015)
Net loans receivable	391,767,546
Cash	3,499,287
Cash Held in Trust	18,840,585
Accounts receivable	12,975,263
Inventories	17,002,071
Property and equipment (net)	8,405,994
Intangible assets	7,946,753
Deferred tax asset	6,130
Investment in subsidiaries	0
Other assets, net of amortization	2,203,809
Total assets	462,647,438
Liabilities	
Accounts payable	7,953,702
Accrued expenses	24,785,573
Income taxes payable	(309,518)
Receivables line of credit	78,533,353
Inventory line of credit	11,586,721
Warehouse line of credit	56,103,245
Securitization Debt	177,287,120
Mortgage payable	6,061,737
Mezzanine debt	54,054,661
Subordinated promissory note	36,361,693
Deferred Consideration	-
Deferred tax liability	455,826
Deferred service contract revenue	59,172,031
Deferred revenue	3,139,381
Total liabilities	515,185,525
Shareholders' equity	
Preferred stock	25
Common stock	103
Treasury stock	(468,605)
Additional paid-in capital - class A preferred stock	9,599,975
Additional paid-in capital - class A common stock	7,500,000
Additional paid-in capital - class B common stock	66,629,770
Additional paid-in capital - class C common stock	8,730,977
Notes receivable from shareholders	(339,997)
Retained earnings (deficit)	(144,190,335)
Total shareholders' equity	(52,538,087)
Total liabilities & shareholders' equity	\$ 462,647,438

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPION WITH REGARD TO THEIR CONTENTS OR FORM.

Byrider Holding Corp. and Subsidiaries
Consolidated Statement of Operations (Unaudited)

	Year to Date Ending February 28, 2021
Revenues	
Auto Revenue	\$ 34,918,888
Finance Income	13,682,407
Franchise Income	3,268,204
Other Income	704,582
Total Revenues	<u>52,574,081</u>
 Cost of Revenues and Expenses	
Cost of Revenue	26,096,971
Cost of Revenue - Provision for Credit Losses	5,333,835
Interest Expense	5,370,362
Operating, General, Administrative Expense	16,973,357
Other Expense	238,881
Total Cost of Revenues and Expenses	<u>54,013,406</u>
Pre Tax Income (Loss)	<u>(1,439,324)</u>
Federal Taxes Expense (Benefit)	<u>32,000</u>
Pre Tax Income (Loss)	<u>\$ (1,471,324)</u>

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPION WITH REGARD TO THEIR CONTENTS OR FORM.

GUARANTEE OF PERFORMANCE

For value received, Byrider Holding Corp., a Delaware corporation (the "Guarantor"), located at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032, absolutely and unconditionally guarantees to assume the duties and obligations of Byrider Franchising, LLC, located at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2021 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Carmel, Indiana, on the 24th day of March, 2021.

Guarantor:

Byrider Holding Corp.

By:  _____

Name: Craig S. Peters

Title: Chief Executive Officer

EXHIBIT B
TO
FRANCHISE DISCLOSURE DOCUMENT



FRANCHISE AGREEMENT

BETWEEN

BYRIDER FRANCHISING, LLC

and

«Name of Franchisee», «Entity Type»
(Name of Franchisee)

«Street»
(Street)

«City», «State» «Zip_Code»
City State Zip Code

«Telephone»
Telephone

«Fax»
Fax Number

BUSINESS LOCATION

«Business_Location»

IDENTIFICATION # _____

BYRIDER FRANCHISING, LLC
FRANCHISE AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (sometimes referred to herein as "Agreement") made and entered into this «Day» day of «Month», «Year», by and between Byrider Franchising, LLC, an Indiana limited liability company, having its principal office at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (herein called the "Company") and «Name of Franchisee», «Entity Type», having principal offices at «Street», «City», «State» «Zip Code» (herein called the "Franchisee").

ARTICLE I

RECITALS

1.1 **Right to License.** The Company has the right to license the formats, systems, methods, procedures and standards for establishing, developing and operating a business under the Marks (as defined below) offering used vehicles and, in connection therewith, financing services (herein sometimes called the "BYRIDER business" and the "CNAC CARNOW ACCEPTANCE business," respectively, and collectively the "System").

1.2 **The System.** The distinguishing characteristics of the System include, without limitation, a facility for the Business Location wherein such business is conducted; a system for establishing and operating a business for the offer and sale and service of used vehicles; a system for the financing of primarily used vehicles; BYRIDER Computer Software; exterior and interior design, decor, layout and color scheme; exclusively designed signage; confidential operating procedures; methods and techniques for inventory and cost controls, collections, record keeping, accounting and reporting, personnel management, purchasing, service and reconditioning, sales promotion, marketing and advertising all of which may be changed, improved and further developed by the Company from time to time. Also included in the system is a requirement that all franchisees offer a warranty program with the sale of every vehicle.

1.3 **The Trade/Service Marks.** The Company is the owner of and has the right to license the use of the name "CNAC CARNOW ACCEPTANCE COMPANY", "CNAC CARNOW ACCEPTANCE COMPANY plus the design", "BYRIDER" and "BYRIDER plus the design" and the trademarks, service marks, logos, and trade names now or hereafter used in connection with the System (herein called the "Marks").

1.4 **Grant of Licenses.** The Company grants to persons, who meet the Company's qualifications and are willing to undertake the investment and effort, a franchise to establish and operate a business using the System at a specified location(s) and a license to use the Marks in connection therewith.

1.5 **Agreement to Obtain/Grant Franchise.** The Franchisee desires a franchise to establish and operate a business using the System and the Company is willing to grant such a franchise on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party, hereby agree as follows:

ARTICLE II

ACKNOWLEDGMENTS

To induce the Company to enter into this Agreement the Franchisee acknowledges, warrants and represents as follows.

2.1 **Independent Investigation.** The Franchisee has had the opportunity to conduct an independent investigation of the business opportunity offered hereunder and the terms and provisions of this Agreement. The Franchisee recognizes that the nature of the business described herein may evolve and change over time, that an investment in the franchise involves business risks and that the success of the venture depends primarily upon the Franchisee's business ability and efforts and other factors which are beyond the Company's control and which have nothing to do with the System or the Company's performance of its obligations under this Agreement.

2.2 **Existing Franchisees.** Prior to the execution of this Agreement, the Franchisee had the opportunity to contact all existing franchisees of the Company.

2.3 **No Representations Regarding Profits of the Franchise.** No representations have been made by the Company or by its officers, directors, shareholders, employees or agents, and relied upon by the Franchisee as to future or past income, expenses, sales volume or potential profitability, earnings or income of the business franchised hereby, or any other franchisee, other than information provided in Item 19 of the Company's Franchise Disclosure Document.

2.4 **No Representations Regarding Profits of the Company or System.** No representation or statement has been made by the Company or by its officers, directors, shareholders, employees or agents and relied upon by Franchisee regarding the anticipated income, earnings and growth of the Company or of the System, or the viability of the business opportunity being offered hereunder.

2.5 **Reservation of Rights by the Company.** The Company has certain rights reserved to it to own and operate BYRIDER businesses; to franchise other BYRIDER businesses; and, to otherwise use the System, the Marks, know-how, techniques and procedures.

2.6 **Different Franchise Agreements.** The Company has and reserves the right to grant franchises for the operation of BYRIDER businesses to other franchisees with terms different from this Agreement.

2.7 **Franchise Disclosure Document.** The Franchisee has received from the Company a copy of the Company's Franchise Disclosure Document, together with a copy of all proposed Agreements relating to the sale of the franchise, at least fourteen (14) calendar days, except in Michigan, at least ten (10) business days, prior to the execution of this Agreement or the payment by the Franchisee to the Company of any consideration in connection with the sale or proposed sale of the franchise granted hereby.

2.8 **No Representation Regarding Licenses/Permits.** No representation or statement has been made by the Company, or by its officers, directors, shareholders, employees or agents and relied upon by the Franchisee regarding the Franchisee's ability to procure any required license or permit that may be necessary to the offering of one or more of the services contemplated to be offered by the business franchised hereby.

2.9 **The Franchisee's Advisors.** The Franchisee has been advised to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby, and the prospects for that business. The Franchisee has either consulted with such advisors or has voluntarily declined to do so.

2.10 **Covenants Not to Compete.** The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on the Franchisee since the Franchisee has other considerable skills, experience and education which afford the Franchisee the opportunity to derive income from such other endeavors.

2.11 **The Franchisee Information.** The Franchisee affirms that all information set forth in any and all applications, financial statements and submissions to the Company is true, complete and accurate in all respects, with the Franchisee expressly acknowledging that the Company is relying upon the truthfulness, completeness and accuracy of such information.

ARTICLE III

CERTAIN DEFINITIONS

3.1 **Advertising Fee.** The term "Advertising Fee" shall mean the fees discussed in Article X herein.

3.2 **Affiliate.** The term "affiliate" shall mean a person or other legal entity in which Franchisee or its owners (i) own more than 10% of the issued and outstanding ownership interest and voting rights or (ii) have the right and power to control and determine the affiliate's management and policies.

3.3 **Business.** The term "Business" shall mean each Byrider sales division complete with CNAC finance division and Service Center, utilizing in connection therewith the System and the Marks. The term "Franchisee's Business" shall mean the Business operated by Franchisee pursuant to the rights granted by this Agreement.

3.4 **Business Location.** The term "Business Location" shall mean the land and building premises, interior and exterior, from which the Franchisee's Business is operated. The Franchisee's Business shall be located in the area listed in Exhibit A.

3.5 **Confidential Information.** The term "Confidential Information" shall mean all confidential and/or secret information concerning the Company, the Franchisee's Business, or the System including, but not limited to, customer lists, names of customers and all information developed by and/or for the Company and/or its affiliates, whether now owned or hereafter obtained, concerning plans, marketing and sales methods, customer relationships, materials, processes, procedures, devices utilized by the Company and/or its affiliates, business

forms, costs, prices, suppliers, information concerning past, present or future contractors, representatives and past, present and/or future customers of the Company and/or its affiliates, plans for development of new or existing products, services and expansion into new areas or markets, internal operations and any variations, trade secrets, proprietary information and other confidential information of any type together with all written graphic, video and other materials relating to all or any part of the same.

3.6 **Franchisee.** The term "Franchisee" used in this Agreement shall refer to each person executing this Agreement as the Franchisee and shall apply to each such person as if he/she were the only named Franchisee in this Agreement. If the Franchisee is a corporation, limited liability company, or other entity, each of Franchisee's owners with 50% or more direct or indirect interest in Franchisee must execute a guaranty in the form the Company prescribes undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and the Company; provided that if no one individual owns 50% or more interest in Franchisee, individuals who together own at least 50% ownership interest in Franchisee must execute a guaranty. Each person with ownership interest in Franchisee who does not execute a guaranty must execute a joinder in the form the Company prescribes undertaking personally to be bound by the covenants restricting transfers of interest in Franchisee and confidentiality and noncompetition covenants applicable to all owners of Franchisee under this Agreement. If more than one person executes this Agreement as the Franchisee, each proprietor or person executing this Agreement shall be jointly and severally liable for all obligations and duties of the Franchisee hereunder. If the Franchisee is a trust, each trustee or beneficiary signing this Agreement shall be jointly or severally liable for all the obligations and duties of the Franchisee hereunder. Notice to or demand upon one Franchisee shall be deemed notice to or demand upon all Franchisees.

3.7 **Gross Sales/Gross Receipts.**

Gross Sales (Byrider Vehicle Sales). The term "Gross Sales (Byrider Vehicle Sales)" shall mean the full purchase price of all vehicles sold at retail (whether financed or sold for cash), including down payments, charges for extended service contracts, documentary fees, and all other fees or charges which accompany the sale, minus overallowances given on trade-in vehicles. For example, the customer's purchase price of the vehicle is \$10,000 and the customer has a trade in with an actual cash value of \$1,000 and assuming no extended service contract or other charges. However, the Franchisee offers \$1,500 for the trade in. The "overallowance" is the amount offered of \$1,500 less the actual cash value of \$1,000 equaling \$500. Therefore, "Gross Sales (Byrider Vehicle Sales)" in this example is the full purchase price of \$10,000 less the overallowance of \$500 which equals \$9,500. "Gross Sales (Byrider Vehicle Sales)" excludes receipts from "wholesaled vehicles" and all titling fees and taxes imposed by federal, state, or other governmental authority directly and collected from customers so long as it is actually paid by Franchisee to such governmental authority. Wholesaled Vehicles are defined as vehicles sold for resale and for which no sales tax is required.

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

vehicle; plus, all monies received in connection with the Service Center (as defined below), including deductible amounts.

3.8 **Initial Franchise Fee.** The term "Initial Franchise Fee" shall mean Fifty Thousand (\$50,000) Dollars. For each additional franchise, Franchisee shall pay the then current fee.

3.9 **Service Center.** The term "Service Center" shall mean the service center located at the Business to service vehicles sold by Businesses in accordance with the Company's standards and specifications.

3.10 **Royalty Fee.** The Royalty Fee commencement date is the earlier of the date the Franchisee's Business is open to the public or the one-year anniversary of the date of this Agreement. The term "Royalty Fee" shall mean that amount calculated monthly as follows:

Gross Sales (Byrider Vehicle Sales):

- A. During the first year of operation of Franchisee's Business: \$5,500 per month; and
- B. After the first year of operation of Franchisee's Business: the greater of \$7,500 per month or 1% of the Franchisee's Gross Sales (Byrider Vehicle Sales) for that month.

The foregoing \$7,500 minimum monthly payment provided in subsection (B) above is for the 2021 calendar year. That minimum monthly payment will increase by 4.0% on January 1st of every other year (for example, it will increase by 4.0% on January 1, 2023 and increase by another 4.0% on January 1, 2025, etc.) throughout the Term (as defined in Section 5.1 below).

plus,

Gross Receipts (CNAC and Service Center Collections):

After the first year of operation of Franchisee's Business, 1.90% of Franchisee's Gross Receipts (CNAC and Service Center Collections) throughout the remaining Term of this Agreement; *provided, however,* if this is Franchisee's third (or subsequent) Franchise Agreement that it has entered into with the Company, then Franchisee shall pay 1.65% of Franchisee's Gross Receipts (CNAC and Service Center Collections) throughout the remaining Term of this Agreement, so long as (i) Franchisee is in compliance with all other Franchise Agreements with the Company; and (ii) Franchisee continues to operate at least two (2) additional Businesses under separate Franchise Agreements with the Company that are open to the public. In the event Franchisee fails to meet any of the foregoing conditions, Franchisee shall pay 1.90% of Franchisee's Gross Receipts (CNAC and Service Center Collections) for the remaining Term of this Agreement.

plus,

Unaffiliated Assignment of Retail Installment Contracts:

\$295.00 for each retail installment contract that Franchisee sells or assigns to an approved unaffiliated third-party entity in compliance with Section 7.17 below.

See Exhibit B for the Franchisee's royalty category designation ("Royalty Category").

3.11 **Transfer Fee.** The term "Transfer Fee" shall mean Five Thousand (\$5,000) Dollars.

ARTICLE IV

GRANT OF BYRIDER FRANCHISE

4.1 **Grant of Franchise and License.** Subject to the terms and conditions herein, the Company hereby grants to the Franchisee, and the Franchisee hereby accepts from the Company, (A) a non-exclusive franchise to open and operate one Business and (B) a non-exclusive license to use the System and the Marks solely in connection with the operation of the Franchisee's Business. Termination or expiration of this Agreement shall constitute a termination of the foregoing franchise and license. The Company will not operate or grant a franchise for the operation of another Business, the physical premises of which is located within the protected territory described on Exhibit A hereof (the "Protected Territory"); provided that the Company may operate and grant franchises for the operation of Businesses in the Protected Territory if the Company delivers a notice of default under this Agreement and Franchisee does not cure the default within the applicable cure period, if any.

4.2 **Retention of Rights.** Except as explicitly and specifically granted to the Franchisee herein, all rights in and to the Marks, the System, and the Business and the goodwill associated with each of them is hereby reserved to the Company. Franchisee is not granted any rights by implication, innuendo, extension or extrapolation. Specifically, but without limitation, the Company retains the right, but shall not be obligated, to:

- A. Add new programs, products and/or services to the Business at any time;
- B. Establish, operate and franchise a business offering and selling products and/or services which may be the same as or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks;
- C. Use or license the use of the Marks in business other than the Business;
- D. Acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at the Business Locations, and franchising, licensing or creating similar arrangements with respect to these businesses

once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;

E. Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Business Locations, or by another business; and

F. Engage in all other activities not expressly prohibited by this Agreement.

Nothing in this Agreement limits the Company's rights to sell, distribute and/or to provide products and services of any kind, under the Marks or otherwise, anywhere except at the Business Location.

4.3 **Relocation.** The Franchisee's Business is granted for a specific location, or a location to be approved by the Company. The Franchisee may relocate the Franchisee's Business with the prior written approval of the Company without obligation to pay the Company an additional Initial Franchise Fee. However, the Franchisee is not entitled to the services of the Company in connection with such relocation and reopening without an agreement with the Company regarding the payment of the then current fees for such services plus the reimbursement of its expenses.

4.4 **The Franchisee's Restrictions.** The Franchisee expressly acknowledges that the territorial rights described in Section 4.1 confers upon the Franchisee no marketing exclusivity therein. The Franchisee expressly acknowledges and understands that all Businesses (whether company-owned, company joint-ventured, franchised or otherwise) may solicit and service clients and otherwise advertise and offer the services of their respective Business anywhere.

ARTICLE V

TERM AND SUCCESSOR FRANCHISE AGREEMENTS

5.1 **Term.** The Term of this Agreement shall be ten (10) years (hereinafter "Term") commencing on the date this Agreement is executed.

5.2 **Right to Obtain Successor Franchise Agreements.** Upon the expiration of this Agreement, if the Franchisee has met certain conditions contained in Section 5.2 and subject to the terms and conditions of this Section 5.2, then the Franchisee shall have the right to obtain one (1) additional successor franchise ("Successor Franchise Agreement") to operate Franchisee's Business for an additional ten (10) year term. The qualifications and conditions for the successor franchise term are described below:

A. The Franchisee shall have the right to occupy the Business Location or such other location approved by the Company in writing, for a period ending not sooner than the expiration of the term of the Successor Franchise Agreement;

B. The Franchisee has complied with all the material terms and conditions of this Agreement and has complied with the Company's material operating and quality standards and

procedures. In the event the Franchisee is not in compliance, the Company agrees to provide written notice to the Franchisee and the Franchisee will be able to cure within 5 business days of receipt of notice of its non-compliance. In the event Franchisee cures its non-compliance within such period, Franchisee will be deemed to have met its obligation under 5.2B;

C. All monetary obligations owed by the Franchisee to the Company have been satisfied prior to such Successor Franchise Agreement and have been met, when due, throughout the Term or Franchisee has cured any noncompliance within 5 business days of delivery of written notice. In the event the Franchisee is not in compliance, the Company agrees to provide written notice to the Franchisee and the Franchisee will be able to cure within 5 business days of receipt of notice of its non-compliance. In the event of Franchisee cures its non-compliance within such period, Franchisee will be deemed to have met its obligation under 5.2C;

D. The Franchisee has made, at its expense, such expenditures necessary to upgrade, remodel and redecorate the Business Location and the fixtures, equipment and supplies used in the Franchisee's Business to conform to the requirements of the System and the image of the Business at the commencement of the Successor Franchise Agreement (the "Necessary Modifications"); provided that the Company will not require any modifications to the exterior signage if the Company required an exterior signage modification within the five (5) years immediately preceding the expiration of this agreement. The Company shall notify the Franchisee of the Necessary Modifications within ninety (90) days after receipt of the Successor Franchise Notice;

E. The Franchisee executes the then current franchise agreement and other forms the Company is then requiring of new franchisees, which may contain rights and obligations which are materially different than those contained in this Agreement, except that the Franchisee will not be required to pay an Initial Franchise Fee;

F. The Franchisee executes and delivers to the Company a written general release (except as may be limited by law) of all claims and demands against the Company, its officers, directors, representatives and affiliates provided, however, that all rights enjoyed by the Franchisee mandated by applicable state law shall remain in force and the Company's indemnification obligations under Section 11.3.B shall remain in force for a period of two (2) years after the expiration of this Agreement; and

G. The Franchisee has settled or resolved or is vigorously defending all pending claims and demands against it by any governmental agency or authority.

H. Notwithstanding anything to the contrary contained in Section 5.2 of this Agreement, the Company agrees that if Company is then still in the business of licensing new franchises for the operation of BYRIDER businesses, Franchisee shall have the right to obtain unlimited successive ten (10) year renewal terms provided that Franchisee meets the qualifications and conditions for the successor franchise set forth in, and subject to the terms and conditions of, Sections 5.2 and 5.3 of this Agreement.

The failure by the Franchisee to sign the agreements and the release described in Subsection E and F above within thirty (30) days after delivery thereof to the Franchisee or, if

sooner, by the expiration of the Term shall be deemed an election by the Franchisee not to obtain such successor franchise.

5.3 Form and Manner of Exercising Right to Obtain a Successor Franchise. The Franchisee shall exercise its right to obtain a successor franchise in the following manner: Not more than one year before the expiration of the Term or less than one hundred eighty (180) days before the expiration of the Term, the Franchisee shall give the Company written notice of its desire to obtain a successor franchise (“Successor Franchise Notice”). Within sixty (60) days after its receipt of Franchisee's notice, the Company shall furnish the Franchisee with written notice of its decision (“Company’s Notice”) (i) to grant a successor franchise; (ii) to not grant a successor franchise based on its decision that the Franchisee has not complied with this Agreement, unless the Franchisee cures the defaults within the applicable time period, or (iii) to grant a successor franchise on the condition that the Franchisee brings the Franchisee’s Business in compliance with the Company’s then-current requirements relating to the image, appearance, declaration, furnishing and equipping a Business, or (iv) to not grant a successor franchise because the Company no longer offers new franchise agreements for Businesses. The obtaining of a successor franchise shall be conditioned upon the Franchisee's compliance with such requirements and continued compliance with all terms and conditions of this Agreement through the expiration of the Term.

In the event the Company decides not to grant a successor franchise because the Company no longer offers new franchise agreements for Businesses and Franchisee does not operate any other Business pursuant to a franchise agreement with the Company, the Company shall hold implementation of the provisions of Sections 17.1.D, E, F, G, H and 17.2 in abeyance for such reasonable period of time as is necessary (not to exceed 120 days) for the Franchisee to implement, at its sole expense, a transition of Franchisee’s Business to new systems, new signage, etc. without charge to the transferee therefor and Section 18.2 shall be inapplicable.

If, upon receipt of Franchisee’s notice under this Section 5.3, the Company determines that, based on demographic changes and other factors, it desires to establish and operate or grant a franchise for the operation of an additional Business in the Protected Territory, the Company will give Franchisee a right of first refusal to acquire an additional franchise for the establishment of another Business in the Protected Territory. The Company will advise Franchisee of such right of first refusal opportunity in the Company’s Notice. Franchisee will have thirty (30) days after receiving the Company’s Notice to exercise Franchisee’s right of first refusal. In order to exercise its right of first refusal, Franchisee must meet Company’s then current criteria for franchisees and demonstrate sufficient capital and sign the Company’s then current franchise agreement. If Franchisee does not exercise its right of first refusal within such thirty (30) day period or does not qualify for the additional franchised location, then Company will modify the Protected Territory as a condition of granting the Franchisee a successor franchise and Franchisee shall have no right of first refusal to the territory that ceases to be part of Franchisee’s Protected Territory under the renewal franchise agreement.

ARTICLE VI

SERVICES OF THE COMPANY

Pre-Opening.

6.1 Initial Training Program and Technology System Installation.

A. Ownership and Management. Franchisee's Business shall, at all times, be under the direct supervision of a Franchisee-designated manager who shall devote his or her full-time efforts to the management of the day to day operation of Franchisee's Business ("Designated Manager"). Franchisee shall keep Company informed, in writing, at all times of the identity of its Designated Manager.

B. Initial Training Program. Prior to the opening of the Franchisee's Business, the Company shall make an initial operations training program ("Initial Training Program") available to Franchisee's Designated Manager and up to three (3) additional employees. At least 14 days prior to the opening, the Designated Manager must attend and successfully complete, to the Company's satisfaction, the Initial Training Program consisting of approximately two (2) weeks of combined classroom and on the job instruction pertaining to operation of the Franchisee's Business that may include sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, reporting procedures, and other operational issues.

C. Location and Costs. Company shall conduct training programs at its headquarters or at another designated location. Company shall not charge tuition for initial training for Franchisee's Designated Manager and up to three additional employees; however, Company will charge Franchisee a nonrefundable fee in the amount of \$2,500 for each additional employee attending the Initial Training Program. All expenses incurred by Franchisee or its employees attending such Initial Training Program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee.

D. New Designated Manager. If Franchisee names a new Designated Manager, then the new Designated Manager must complete the Initial Training Program to Company's satisfaction within thirty (30) days post-hire. One new Designated Manager per year may attend the Initial Training Program without charge. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance to such training.

E. Unsatisfactory Completion. If Company determines that the Designated Manager is unable to satisfactorily complete the Initial Training Program, Company shall have the right to terminate this Agreement in the manner provided herein. Upon such termination, Franchisee and its owners shall execute a general release pursuant to which Franchisee and its owners will release the Company from any claims or causes of action the Franchisee may have under or pursuant to this Agreement and Franchisee shall have no further right, title or interest in the Business, the Marks or the System.

F. **Installation of Technology System.** Company will grant Franchisee access to Byrider proprietary software and third-party technology services prior to the opening of business.

6.2 **Specifications for Building, Equipment, Signs and Supplies.** Before commencement of the construction at the Business Location, the Company shall deliver to the Franchisee specifications for the building, equipment, furnishings, decor, layout and signs required to open and operate the Business. The Company shall also provide the Franchisee with lists of approved suppliers and sources of supply.

6.3 **Confidential Operating Manual.**

A. The Company shall provide access to Company's Confidential Operating Manual (together with all supplements to or revisions of, herein the "Manual") for use during the Term. The online Manual is provided on the Company's intranet website. All periodic modifications to the Manual are made to the online copy only, and Franchisee agrees to view the website monthly for modifications. The Company will send electronic notice of modifications. Franchisee agrees that the Manual and any updates to the Manual are part of this Agreement as if fully set forth within its text. Franchisee acknowledges that Company's periodic modification of the Manual (including, without limitation, changes to the hardware and software required for the Company's technology system), which may accommodate regional and/or local variations, may obligate Franchisee to invest additional capital in the Business Location and/or incur higher operating costs.

B. Except in such instances where the provisions of the Manual directly conflicts with the terms of this Agreement, the Franchisee shall conduct the operation of the Franchisee's Business in compliance with the Company's operational systems, standards, procedures, methods and requirements as prescribed from time to time in the Manual.

C. The Manual contains specifications, standards, operating procedures and rules prescribed from time to time by the Company for the Business and information relative to other obligations of the Franchisee hereunder and the operation of the Franchisee's Business.

D. The Manual contains proprietary information of the Company and shall be kept confidential by the Franchisee both during the Term and subsequent to the expiration or termination of the Franchise. The Franchisee shall not duplicate or cause the Manual to be duplicated or used for any purpose other than the operation of the Franchisee's Business at the Business Location in accordance with this Agreement. The Company will update the Manual on the Company's website and the master copy of the Manual will be the same as the Manual being posted on the website that is available to Franchisees.

6.4 **Company's Site Approval.** The Franchisee is responsible for purchasing or leasing a suitable site for the Franchisee's Business. Prior to the acquisition by lease or purchase of any such site, the Franchisee shall submit a description of the proposed site and other requested information to the Company together with a letter of intent or other evidence satisfactory to the Company that confirms the Franchisee's favorable prospects for obtaining the proposed site. The Company will provide the Franchisee with written notice of approval or disapproval of the

proposed site within thirty (30) days after receiving the Franchisee's written proposal. The Company's approval of the site is subject to the provisions of Section 7.1 of this Agreement. The Company's approval will not be unreasonably withheld. The Company will provide the Franchisee with a written explanation in the event it disapproves a site.

6.5 **Company Approval of Business Location.** If the Business Location has been completed in accordance with the Company's requirements and the Designated Manager has satisfactorily completed the Company's Initial Training Program, then the Company shall approve the Business Location for opening.

Post Opening

6.6 **On-Site Assistance.** If the Franchisee's Business opened pursuant to this Agreement is the first or second Business Location opened by Franchisee or its affiliates, during the first week that the Franchisee's Business is open for business, the Company shall provide at least one (1) of the Company's representatives at the Business Location for the purpose of facilitating the opening of the Franchisee's Business. The number of days of this on-site assistance and the designation of the person(s) on-site will be at the Company's discretion. On-site assistance for additional Business Locations will be provided as the Company deems appropriate to the circumstances. During this period such representative(s) will assist the Franchisee in establishing and standardizing procedures and techniques essential to the operation of the Franchisee's Business and shall assist Franchisee in training its personnel. If the Franchisee requests additional assistance from the Company in order to facilitate the opening of the Franchisee's Business, and if the Company deems it necessary and appropriate, the Franchisee shall pay the Company its customary fees (currently One Thousand (\$1,000) Dollars) per day for such services and reimburse the Company for out-of-pocket expenses incurred by the Company in providing such additional assistance.

6.7 **Grand Opening.** In addition to the initial assistance provided to the Franchisee, the Company may, during the first three (3) months of operation of the Franchisee's Business, provide the Franchisee with guidance in marketing and promotions in connection with the Grand Opening.

6.8 **Additional Training.** The Company from time to time requires that previously trained and experienced franchisees, their Designated Manager, or other managers or employees attend and successfully complete additional training programs to be conducted at the Company's principal offices or other location chosen by the Company. Franchisee shall pay for all its and its employees' travel and lodging expenses. The Franchisee and/or the Franchisee's employee(s) shall attend such programs or seminars at the Franchisee's expense. In those instances where the Company determines, in its sole discretion, that the quality of the Franchisee's work or the work of its employees is not in accordance with the quality standards acceptable to the Company for the System, the Company shall have the right to require that the Franchisee, and/or such of the Franchisee's employees that fail to meet such quality standards, undergo a retraining program at the Company's training facility to correct any identified deficiencies.

6.9 **Guidance.** During the operation of the Franchisee's business the Company will:

- A. Inspect the Franchisee's Business as often as the Company deems necessary;
- B. Make its staff available at its principal offices for consultation and guidance of the Franchisee in the operation and management of the Franchisee's Business.
- C. Make available to the Franchisee, from time to time, all changes, improvements, and additions to the System to the same extent as made available to other franchisees of the System and Marks;
- D. Provide the Franchisee with all supplements and modifications to the Manual;
- E. Provide, from time to time, consultation and guidance in advertising and marketing;
- F. Provide the Franchisee with forms to be used by the Franchisee to report to the Company all information required by the Company;

6.10 **Operating Assistance-Inspections.** The Company shall have the right to enter and inspect the Business Location at all reasonable times to observe the manner in which the Franchisee is operating the Franchisee's Business, to confer with the Franchisee's employees, vendors, suppliers, and customers and to ascertain that the operations of the Franchisee's Business comply with the performance standards established by the Company for the System. Franchisee acknowledges and agrees that, pursuant to its inspection rights under this Article 6.10 of this Agreement, Company may inspect all vehicles for sale at the Business Location and otherwise inspect Franchisee's business procedures. The Franchisee will cooperate with the Company and will promptly undertake to correct any deficiencies brought to the Franchisee's attention. The Franchisee will reimburse the Company for reasonable costs and expenses the Company may incur in correcting deficiencies that the Franchisee, after written notice, fails to correct.

6.11 **Annual Meetings.** The Company, in its discretion, will hold three meetings each year, and the Franchisee or representative must attend. The Company will notify Franchisee of the dates and locations of these meetings, and Franchisee will be responsible for its own transportation and lodging and prorated expenses that are associated with attending these meetings. The Company reserves the right to refuse or place additional conditions on attendance at these meetings by anyone other than Franchisee and to increase or decrease the number of meetings. Franchisee may send qualified representatives to such meetings.

ARTICLE VII

OPENING AND OPERATION OF THE BUSINESS

7.1 **Business Location.** The Franchisee shall operate the Franchisee's Business only at the Business Location. If the Business Location is identified on Exhibit A, it has been approved by the Company, and Franchisee acknowledges and agrees that the Company has performed all of its obligations under this Agreement with respect to site selection or approval. If the Business Location is not identified on Exhibit A, the Franchisee shall bear the entire

responsibility of finding, and shall use its best efforts to find, a site acceptable to the Company utilizing its own resources, skills and know-how, and following any requirements set forth by the Company. The selection of the Business Location shall be subject to the prior written approval of the Company whose reasonable determination in this regard shall be final.

As a condition precedent to approving any location proposed by the Franchisee, the Company may require the Franchisee to submit site analyses, maps, completed check lists, photographs, digital or video motion pictures of the site and surrounding areas, copies of proposed leases, diagrams of the Business Location with measurements, a letter of intent or other evidence of the Franchisee's favorable prospects of obtaining the proposed location, and such further information and materials as the Company may reasonably require to evaluate the Franchisee's proposed location.

The Franchisee expressly understands that the opening of the Franchisee's Business within one (1) year following the execution of this Agreement is of the essence of this Agreement; provided, however, if in the Company's sole judgment, Franchisee has diligently pursued opening of the Franchisee's Business but failed through no fault of its own, then Franchisee may request an extension of up to six (6) months and the Company shall not unreasonably withhold consent to such request.

The Franchisee acknowledges and agrees that the Company's engaging in such site selection activities, the Company's suggestions, the exercise of its rights of approval provided herein, or the exercise of its right to lease said Business Location and sublease the same to the Franchisee and to derive profit therefrom, shall not give rise to any liability of the Company with regard to the viability of any location(s) selected, proposed or approved by the Company, nor shall the same be construed as any express or implied representation, warranty or guarantee by the Company of the suitability for or viability, prospects or profitability of any such location for a Business.

7.2 Construction of Business Location.

A. The Franchisee agrees that promptly after securing the Business Location, it will: (i) cause to be prepared and submitted for approval by the Company, a site survey and any modifications to the Company's basic plans and specifications for a Business Location (including requirements for dimensions, exterior design, materials, interior design and layout, equipment, fixtures, furniture, signs and decorating) for sales, finance, and service departments required for the development of a Business Location at the site leased or purchased therefore. The Franchisee may modify the Company's basic plans and specifications only to the extent required to comply with all applicable ordinances, building codes, and permit requirements, and with prior notification to and approval by the Company, not to be unreasonably withheld; (ii) obtain all required zoning changes; all required building, utility, health, sanitation, and signed permits and licenses, and any other required permits and licenses; (iii) purchase or lease and install all equipment, fixtures, furniture, and signs required by the Company; (iv) complete the decorating of the Franchisee's Business in full and strict compliance with the plans and specifications therefor approved by the Company and all applicable ordinances, building codes, and permit requirements; (v) obtain all customary contractors sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services; and (vi) otherwise complete the development of

and have the Franchisee's Business ready to open and commence the conduct of its business as required.

B. The Franchisee is strictly responsible for the acts or omissions of its contractors regarding compliance with this Article VII and the Company shall have no responsibility for such acts or omissions. The Company shall not be liable for any loss or damage arising from the plans or specifications for the Business Location by reason of its approval of plans and specifications, or otherwise.

7.3 **Location Lease or Purchase Agreement.** Upon the written approval of the proposed Business Location, the Franchisee shall execute a lease (if the Business Location is to be leased) or a binding agreement to purchase the site, the terms of which shall have been previously submitted to the Company for approval. The Company's approval of the lease will be conditioned upon, among other things, execution by Franchisee and the landlord the form of lease addendum attached as Exhibit F hereto. If the landlord is an affiliate of Franchisee, Franchisee must cause the landlord to execute the affiliated entity joinder attached as Exhibit G hereto. The Company's review of and consent to the lease are limited to those provisions and items that the Company believes are necessary and appropriate solely for its own purposes and its own benefit as the licensor of the Marks and the System. The Franchisee has been advised to obtain the advice of its own professional advisors before the Franchisee signs or makes any adjustments to the lease to accommodate its operation of the Franchisee's Business. In the event Franchisee or its affiliate owns the approved Business Location, Franchisee agrees that upon termination of this Agreement by Company due to Franchisee's breach or termination by Franchisee without cause prior to the scheduled expiration according to 5.1 herein, Franchisee or its affiliate will, at Company's election, lease the Business Location to Company or its affiliate at market rent for a term of two (2) years.

7.4 **Opening for Franchisee's Business.** The Franchisee shall give the Company at least sixty (60) days prior written notice of the opening of the Franchisee's Business ("Notice of Opening"). If such notice is not given, the Company shall be relieved of its obligation to provide the assistance in connection with the opening of the Franchisee's Business (provided in Section 6.6 hereof). The Franchisee shall not open the Franchisee's Business until the Company reasonably determines that the construction of and other preparation of the Business Location have been completed in accordance with this Agreement and that the Franchisee's Designated Manager has completed the Company's Initial Training Program. Within three (3) months after opening for business the Franchisee shall prepare and submit for the Company's prior approval a Grand Opening advertising and promotion program for the Franchisee's Business and shall, at the Franchisee's expense, implement such program during the Grand Opening.

7.5 **Maintain Standards, Upgrades.** In order to protect the System and to maintain the uniform standards of operation under the franchise granted herein, the Franchisee shall operate the Franchisee's Business at all times in strict compliance with the requirements of this Agreement and the Manual. Franchisee shall have control over the day-to-day operations of the Franchisee's Business. Franchisee must at all times maintain the Business Location in a high quality of repair appearance, condition and sanitation, and must make any additions, alterations, repairs and replacements for that purpose ("Ongoing Maintenance"). Upon the Company's request, Franchisee must improve and modify the Business Location to meet the Company's then current standards ("Facility Updates"). The maximum amount of any such Facility Updates will

not exceed \$150,000 (“Update Cap”) during any ten (10) year period, except that the costs of Ongoing Maintenance and sign replacements shall not be included in the Update Cap. All costs of maintaining and upgrading are borne by the Franchisee. The Company will not require exterior signage changes more than once during the initial term of this Agreement.

7.6 **Use of Business Location.** The Business Location shall be used solely for the purpose of conducting a Business unless another use is specifically approved in writing by the Company.

7.7 **Approved Suppliers.** The Franchisee will purchase, from either the Company, or vendors and suppliers approved by the Company, all equipment, supplies, and other products and services which the Company determines meet the standards of quality and uniformity required to protect the valuable goodwill and uniformity symbolized by and associated with the Business, as set forth in the Manual. The Company reserves the right to approve a single supplier for any item and such supplier may be the Company and/or its affiliates. If the Franchisee desires to purchase any products or services from any other source, the Franchisee shall submit samples and specifications to the Company for testing to determine whether the products or services comply with the Company's standards and specifications. The prior written approval of the Company must be obtained by the Franchisee prior to the time that any unapproved products or services are used or sold by the Franchisee. The Company shall notify the Franchisee, within thirty (30) days of receipt of the Franchisee's request, of its rejection of the proposed vendor or supplier and the reason therefor. The failure to so notify the Franchisee shall constitute approval by the Company.

7.8 **Compliance with Laws.** The Franchisee shall, at its expense, secure and maintain in force all required licenses, permits, and certificates relating to the operation of the Franchisee's Business and shall operate the Franchisee's Business in strict compliance with all applicable local, state and federal laws, rules and regulations, including, but not limited to, used-vehicle sales laws, Truth-in-Lending laws, Equal Credit Opportunity laws, employment laws, and also including full legal compliance of all customer vehicle sale and finance transaction documents. The Franchisee agrees to diligently pursue resolution of any action, suit, proceeding, investigation or inquiry, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality which may adversely affect the operation or financial condition of the Franchisee's Business. The Franchisee agrees to refrain from any merchandising, advertising or promotional practice that is unethical or may be injurious to the business of the Company, other Businesses or to the goodwill associated with the Marks.

7.9 **Payment of Liabilities and Taxes.** The Franchisee shall pay, when due, all of its obligations, liabilities and taxes to the Company, suppliers, lessors, creditors and taxing authorities. The Franchisee's failure to comply with this provision shall be deemed a material breach of this Agreement.

7.10 **Standardization.** The Franchisee will require its employees to wear such uniforms as may be designated by the Company and will comply with such programs of standardization as may from time to time be promulgated by the Company to promote the common business image and to protect the goodwill associated with the Business.

7.11 **Management.** The Franchisee's Business shall be at all times under the direct, on-location supervision of the Franchisee or the Designated Manager. If the Franchisee operates more than one franchise, or in the event the Franchisee does not devote full-time to conducting the Franchisee's Business, at least the Designated Manager, shall be appointed by Franchisee to act as a full-time manager at each Business Location. The Franchisee shall at all times faithfully, honestly and diligently perform the obligations hereunder, use its best efforts to promote and enhance the Franchisee's Business, and shall not engage in any business or other activity that will conflict with the Franchisee's obligations hereunder.

7.12 **Employee Training.** The Franchisee or Designated Manager is responsible for the requirement that all employees are properly trained in accordance with the functions identified and designed in the Manual.

7.13 **Unauthorized Activities.** The Franchisee shall not install or maintain on the Business Location any telephone booths, newspaper racks, video games, juke boxes, games, rides, or other similar devices, or undertake any business activity other than the Franchisee's Business, without the prior written approval of the Company.

7.14 **Notice to the Company.** The Franchisee shall notify the Company in writing within ten (10) business days of the commencement of any action, suit, proceeding, investigation or inquiry, or the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality or receipt of written complaints from any customer or potential customer that may adversely affect the operation or financial condition of the Franchisee's Business. If the Company believes the Franchisee is not adequately responding to or handling any event listed above, the Company reserves the right to require the Franchisee to resolve the matter in a prompt and reasonable manner in accordance with good business practices.

7.15 **Modifications to the System.** The Franchisee understands that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the System may change in order that it best serve the interest of the Company, the Franchisee and the System. Accordingly, the Franchisee agrees that the Company may from time to time A) change the components of the System, including, but not limited to, altering the programs, services, methods, standards, equipment, decorations, policies and procedures of the System; B) add to, delete from, or modify those programs and services which the Business is authorized to offer; and C) change, improve or modify the Marks. The Franchisee agrees to make any such modifications, changes, additions, deletions and alterations, promptly, and at the franchisee's expense.

7.16 **Confidential Information.**

A. The Franchisee acknowledges that its entire knowledge of the Confidential Information is derived from information disclosed to the Franchisee by the Company and that certain of such information is proprietary, confidential, unique, special, and a trade secret of the Company. The Franchisee and its owners agree that they will maintain the absolute confidentiality of all such Confidential Information during and after the Term and that they will not use any such Confidential Information in any other business or in any manner unless specifically authorized or approved in writing by the Company.

B. The Franchisee shall divulge such Confidential Information only to such of its employees and agents as must have access to it in order to operate the Franchisee's Business in accordance with this Agreement, including Franchisee's accountants, bankers and potential investors who sign a confidentiality agreement. The Franchisee may also divulge such Confidential Information to a governmental authority in the event Franchisee becomes legally compelled or is required by regulatory authorities having appropriate jurisdiction to disclose such Confidential Information, provided that the Franchisee will promptly provide the Company with written notice so that the Company may seek, at its expense, a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. Any and all information, knowledge, and know-how including, without limitation, materials, technology systems, techniques, and other data, which the Company designates as confidential shall be deemed confidential for purposes of this Agreement, except information which the Franchisee can demonstrate came to its attention prior to the disclosure thereof by the Company or which, at the time of disclosure by the Company to the Franchisee, had become a part of the public domain through publication or communication by others without Franchisee's fault or involvement; or which after disclosure to the Franchisee by the Company, becomes a part of the public domain through publication or communication by others without Franchisee's fault or involvement.

C. Due to the special and unique nature of the proprietary and Confidential Information, the Marks, and the Manual, the Franchisee hereby agrees that the Company shall be entitled to immediate equitable remedies including, but not limited to, restraining orders and injunctive relief in order to safeguard any proprietary, confidential, unique and special information of the Company and that money damages alone would be an insufficient remedy with which to compensate the Company for any breach of the terms of Article XVIII and Sections 6.3 and 7.16 hereof. Furthermore, the Franchisee agrees that all employees and agents of the Franchisee having access to the confidential and proprietary information of the Company shall be required to execute confidential information covenants in a form acceptable to the Company.

7.17 **Assignment of Dealer Contracts.** The Franchisee may sell and assign retail installment contracts to unaffiliated third-parties; provided, however: (i) the Franchisee must obtain the Company's approval of the unaffiliated third-party prior to each sale or assignment; and (ii) the Franchisee may not sell or assign retail installment contracts with contract values, in the aggregate, of more than 10% of the Franchisee's Gross Sales (Byrider Vehicle Sales) during any particular calendar month.

7.18 **Service Center Operations.** The Franchisee must operate a Service Center at the Business Location. The Franchisee may only provide repair service for vehicles purchased from Businesses, unless the Company approves in writing for the Franchisee to service the general public. Notwithstanding the foregoing, the Franchisee will not be required to operate a Service Center at the Business Location so long as the Franchisee or its affiliate operates a Service Center at another Business under a franchise agreement with the Company and the Company determines in its sole discretion that such Service Center is located within a reasonable distance to service customers of the Franchisee.

ARTICLE VIII

TRADEMARKS

8.1 **Ownership.** The Franchisee acknowledges the validity of the Marks and that they are the sole property of the Company. The Franchisee's right to use the Marks is derived solely from this Agreement and is limited to the conduct of the Franchisee's Business by the Franchisee pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by the Company from time to time. Any unauthorized use of the Marks by the Franchisee is a breach of this Agreement and an infringement of the rights of the Company. All usage of the Marks by the Franchisee and any goodwill established by the Franchisee's use of the Marks shall be the exclusive property of the Company.

8.2 **Use.** The Franchisee shall use the Marks only as authorized, directed or approved by the Company. The Franchisee shall not use the Marks as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may the Franchisee use the Marks in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by the Company. The Franchisee shall not use the Marks as part of any domain name, homepage, electronic address, user name, user profile or otherwise in connection with a website (unless approved by the Company), including, without limitation, in connection with any social networking site which references or identifies the Franchisee's Business, Business Location or Franchisee as a part of the System. The Franchisee shall give such notice of trademark and service mark registration as the Company specifies and to obtain such fictitious or assumed name registrations as may be required under applicable law. The non-exclusive personal right of the Franchisee to use the Marks in connection with the Franchisee's Business and its right to use the Marks and the System apply only to the Business Location and only so long as the Franchisee shall fully perform and comply with all of the conditions, terms and covenants of this Agreement. If, in the judgment of the Company, the acts of the Franchisee infringe upon or demean the goodwill, standards of uniformity or quality, or business standing associated with the Marks and the System, then the Franchisee shall immediately, upon notice from the Company, modify its use of the Marks and the System in the manner prescribed by the Company. The Franchisee shall not, during or after the Term, do anything directly or indirectly which would infringe upon, harm, mislead or contest the rights of the Company in the Marks or the System.

8.3 **Infringement.** The Franchisee shall immediately notify the Company in writing of any apparent infringement of or challenge to the Franchisee's use of the Marks and of any claim by any person of any rights in the Marks or in any similar trade name, trademark, service mark or logo of which the Franchisee becomes aware. The Franchisee shall not directly or indirectly communicate with any person other than the Company, Company's counsel and its counsel in connection with any such infringement, challenge or claim. The Company shall have sole discretion and exclusive right to take such action as it deems appropriate to control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. The Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of the Company's counsel, be necessary or advisable to protect and

maintain the interests of the Company in any such litigation or administrative proceedings, or to otherwise protect and maintain the interest of the Company in the Marks.

8.4 **Substitutions.** If there is a claim by any party that its right to any use of the Marks are superior and if the Company determines that such claim is legally meritorious or if the Company determines, in its sole discretion, that it is advisable for the Company and/or the Franchisee to modify or discontinue the use of any of the Marks, and/or use one or more additional or substitute Marks then, upon notice from the Company, the Franchisee, at its expense, will immediately make such changes and amendments to the Marks and all materials on which the Marks are displayed as may be required by the Company.

ARTICLE IX

FEES

9.1 **Initial Franchise Fee.** The Franchisee shall pay to the Company the Initial Franchise Fee of Fifty Thousand (\$50,000.00) Dollars upon the execution of this Agreement. The Initial Franchise Fee shall be refundable only in the event the Company receives written notice from Franchisee of its desire to rescind the Agreement. This notice of rescission must be received by the Company within 60 days after the Agreement has been executed. In all other cases, the fee is nonrefundable.

9.2 **Royalty and Advertising Fee.** In addition to the Initial Franchise Fee, the Franchisee shall pay the Royalty Fee defined in Section 3.10 to the Company, and Advertising Fee defined in Article X to J.D. Byrider Advertising Group, Inc., without offset, credit, or deduction of any kind, in the manner set forth in Section 9.3 or otherwise prescribed in the Manual from time to time. In the event of a natural disaster (such as a flood, fire, or tornado) or some other unusual occurrence that prevents Franchisee from operating the Franchisee's Business, the Company will consider various forms of relief on a case-by-case basis in its sole discretion.

9.3 **Payment.**

A. The Franchisee shall pay all invoices from the Company, J.D. Byrider Advertising Group, Inc., and all other vendors when due.

B. All Royalties, Advertising Fees and other amounts that the Franchisee owes to the Company or its affiliates shall bear interest after the due date at the highest legal rate for open account business credit. The Franchisee acknowledges that this paragraph shall not constitute an agreement by the Company or its affiliates to accept such payments after the same are due or a commitment by the Company to extend credit to or otherwise finance the Franchisee's operations of the Franchisee's Business. Acceptance by the Company of any payment by the Franchisee in an amount less than the full amount due shall not constitute acceptance as payment in full and shall not constitute a waiver of any amounts remaining due to the Company. Further, the Franchisee acknowledges that its failure to pay all amounts when due shall constitute grounds for termination of this Agreement as provided herein notwithstanding the provisions of this paragraph.

C. Notwithstanding any designation by the Franchisee, the Company shall have the sole discretion to apply any payments by the Franchisee to any past due indebtedness of

the Franchisee for Royalty Fees, Advertising Fees, purchases from the Company, interest or any other indebtedness of the Franchisee. If the Company shall apply any payment by the Franchisee in a manner different from the application intended by the Franchisee, the Company shall give Franchisee written notice of how such payment was applied.

9.4 **Technology System Fees.** Concurrently with the execution of this Agreement, Franchisee has executed the Byrider Software Services and User Agreement which is attached hereto as Exhibit D (the “Software Agreement”). The Company's technology system is made up of four components: 1) Byrider Proprietary Software, 2) off-the-shelf software, 3) hardware, and 4) dealer management system with integrated customer relations management. Franchisee must license and use the Byrider technology system necessary to operate day-to-day business. Franchisee must pay the cost of the technology system to the appropriate vendor as shown on Exhibit D, Appendix B, upon receiving invoices. In addition, Franchisee is responsible for all costs related to communication lines between each franchise and the Company. Exhibit D, Appendix A, identifies the items that are typically required per franchised location. The Company may at times allow for substitution of items in Appendix A at the request of Franchisee if a substitution will not materially impact the Company’s delivery of services or support but is under no obligation to do so.

9.5 **Reputation Management Fee.** Franchisee is required to pay to the Company for reputation management texts performed by the Company or its designee.

ARTICLE X

ADVERTISING AND PROMOTION

10.1 **Advertising Fee.** Franchisee shall contribute \$1,500.00 for each Business Location each month to J.D. Byrider Advertising Group, Inc. (the “Ad Group”). All amounts received by the Ad Group will become the exclusive property of the Ad Group. The Ad Group will hold such amounts for the benefit of the Company and all Franchisees and will be expended exclusively for the promotion and advertising of the business of the Company and all franchisees of the System and Marks, consistent with this Agreement, in such manner and amounts as determined by the Board of Directors of the Ad Group, acting in its sole discretion, but within the limitations stated above. The advertising and promotional expenditures which may be made by the Ad Group include any costs of maintaining, administering, directing and preparing promotional materials, advertising and similar public relations activities for use in television, radio, billboards, magazines, newspapers and any other medium, such costs to include fees for advertising agencies and consultants and reasonable fees for any management or administrative services rendered by the Company to the Ad Group in connection with the undertakings by the Ad Group.

Upon request by the Company, Franchisee shall also join one or more Company-approved local advertising co-ops and make contributions to such co-ops as required under the co-op’s bylaws. Franchisee shall spend at least 2% of its Gross Sales (Byrider Vehicle Sales) on co-op or local advertising (the “Local Advertising Requirement”). Company may increase the Local Advertising Requirement to 3% of Franchisee’s Gross Sales (Byrider Vehicle Sales), subject to the Advertising Spend Cap (see Section 10.2 below). Advertising fees must be paid in the above-described amounts for each Business Location.

All advertising and promotional activities undertaken by Franchisee individually in accordance with the foregoing requirements must be acceptable to the Ad Group. The Franchisee must submit all advertising and promotional materials for Ad Group approval prior to publication, and Franchisee is prohibited from publishing or utilizing any advertising or promotional materials not approved by the Ad Group. Further, Franchisee may not alter approved advertisements and promotional materials except to fill in local identification information. The Ad Group retains all ownership rights and title to all advertising and promotional materials.

10.2 **National Advertising Fund.** Franchisee acknowledges that, in addition to the undertakings described in Section 10.1 above, the Company or its affiliate may establish a National Advertising Fund for the purpose of purchasing electronic and print media advertising for national distribution. When and if the Company or its affiliate creates this fund, Franchisee shall contribute to the fund as required by the Company or its affiliate. However, Franchisee's contributions to any National Advertising Fund (if established) and Franchisee's Local Advertising Requirement will not collectively exceed 4% of Franchisee's Gross Sales (Byrider Vehicle Sales) (the "Advertising Spend Cap"). Franchisee's required payment of the Advertising Fees to the Ad Group is excluded from the Advertising Spend Cap.

ARTICLE XI

RELATIONSHIP OF PARTIES/INDEMNIFICATION

11.1 **Relationship of the Parties.** This Agreement does not create a fiduciary relationship between the parties. The Franchisee understands and agrees that, under this Agreement, the Franchisee is and shall be an independent contractor. Nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose.

THE FRANCHISEE SHALL CONSPICUOUSLY IDENTIFY ITSELF AND THE BUSINESS, AND IN ALL DEALING WITH CUSTOMERS, SUPPLIERS, PUBLIC OFFICIALS, AND OTHERS, AS AN INDEPENDENT FRANCHISEE OF THE COMPANY, AND SHALL PLACE SUCH NOTICE OF INDEPENDENT OWNERSHIP ON ALL FORMS, BUSINESS CARDS, STATIONERY, ADVERTISING, SIGNS AND OTHER MATERIALS AND IN SUCH FASHION AS THE COMPANY, IN ITS SOLE DISCRETION, SPECIFIES AND REQUIRES FROM TIME TO TIME, IN ITS MANUAL (AS THE SAME MAY BE AMENDED FROM TIME TO TIME), OR OTHERWISE.

11.2 **No Liability for Acts of the Other.** Except as otherwise expressly authorized by this Agreement, neither party hereto will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between the Company and the Franchisee is other than that of franchisor and franchisee. The Company does not assume any liability, and will not be deemed liable for any agreements, representations, or warranties made by the Franchisee, nor will the Company be obligated for any damages to any person or property that directly or indirectly arise from or relate to the operation of the Franchisee's Business. The Company shall not have the power to hire or fire the Franchisee's employees and, except as herein expressly provided, the Company may not control or have access to the Franchisee's funds or the expenditure thereof, or

in any other way exercise dominion or control over the Franchisee's Business. The Company shall not be obligated for any damages to any person or party, directly or indirectly, arising out of the operation of the Franchisee's Business whether caused by the Franchisee's negligent or willful action or failure to act. It is expressly understood and agreed that neither the Franchisee nor any employee of the Franchisee whose compensation for services is paid by the Franchisee may, in any way, directly or indirectly, expressly or by implication, be construed to be an employee of the Company for any purpose, most particularly with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. The Company shall have no liability for any sales, use, occupation, excise, gross receipts, income, property or other taxes, whether levied upon the Franchisee, the Franchisee's Business, or the Franchisee's property, or upon the Company, in connection with sales made or business conducted by the Franchisee or payments to the Company pursuant hereto.

11.3 **Indemnification.**

A. Franchisee shall indemnify and hold harmless the Company, its subsidiaries and affiliates, and their respective officers, directors, shareholders, agents and employees, from and against any and all losses, expenses, judgments, claims, reasonable attorneys' fees, and damages arising out of or in connection with any claim arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Franchisee's Business. Franchisee shall promptly notify the Company of any suits filed by or against Franchisee in connection with the operation of the Franchisee's Business and, upon request, shall furnish the Company with copies of such documents from the suit as the Company may request.

B. The Company shall indemnify and hold the Franchisee harmless from and against any and all claims, and the cost of defending such claims, caused by the gross negligence or willful misconduct of the Company or arising from any mandatory specification, standard or procedure contained in the Manual that is determined to be unlawful, provided that the Franchisee shall have given the Company timely notice of such claim or proceeding and is not in default under this Agreement and, provided further, that the Company shall have the right to participate in and, to the extent the Company deems necessary, to control any such litigation or proceeding.

ARTICLE XII

INSURANCE

12.1 **Required Insurance.** To standardize insurance and to afford the Franchisee, the Company and the Franchisee's customers protection against insurable risks, the Company imposes and prescribes minimum standards and limits for certain types of insurance coverage required to be purchased by the Franchisee.

A. The Franchisee shall purchase at its sole expense and maintain in effect at all times during the Term the greater of the insurance coverage required by the landlord for the Business Location or the following categories of insurance coverage through licensed and admitted insurance companies acceptable to the Company:

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

It is recommended but not required that the Franchisee purchase an Umbrella policy in the amount of \$1,000,000 over and above all liability coverage.

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

B. The insurance coverage acquired and maintained by the Franchisee at its own expense, as set forth in subsection (A) of this Section 12.1 shall:

- (1) Name the Company and its designated affiliates as additional insureds;
- (2) Extend to and provide indemnity for all obligations assumed by the Franchisee hereunder and all other items for which the Franchisee is required to indemnify the Company under the provisions of this Agreement;
- (3) Be primary to and non-contributory with respect to any other insurance purchased by the Company;
- (4) Provide, by endorsement, that the Company is entitled to receive at least thirty (30) days prior written notice of any intent to reduce policy limits, restrict coverage, cancel or otherwise alter or amend said policy.

The Franchisee shall not reduce the policy limits, restrict coverage, cancel or otherwise alter or amend said insurance policies without the Company's written consent.

12.2 **The Company's Right to Purchase.** If the Franchisee fails to purchase insurance conforming to the standards and limits prescribed by the Company, the Company may (but is not required to) obtain, through agents and insurance companies of its choosing, the minimum amount of insurance specified in Subsections 12.1.A.(1) through (5). Payments for such insurance shall be borne by the Franchisee and the Franchisee expressly agrees to forthwith pay the required premiums or to reimburse the Company therefor. Nothing contained herein shall be construed or deemed to impose any duty or obligation upon the Company to obtain or maintain any specific forms, kinds or amounts of insurance for or on behalf of the Franchisee.

12.3 **Disclaimer.** Nothing contained herein shall be construed or considered an undertaking or representation by the Company that such insurance and bondings as may be required to be obtained by the Franchisee, or by the Company for the Franchisee, will insure the Franchisee against any or all insurable risks of loss which may or can arise out of or in connection with the operation of the Franchisee's Business.

12.4 **Proof of Insurance.** The Franchisee shall promptly provide the Company with Certificates of Insurance evidencing such coverage no later than ten (10) days prior to the opening date of the Franchisee's Business. The Franchisee shall deliver a complete copy of the Franchisee's insurance in force within thirty (30) days following the delivery of the Certificates of Insurance. All insurance policies and documents shall be renewed, and upon such renewal, a renewal Certificate of Insurance shall be furnished to the Company prior to the expiration date of the existing term(s) of such policy(ies).

12.5 **Notice of Claims.** The Franchisee shall notify the Company of any and all claims or demands against the Franchisee, the Franchisee's Business, the Business Location, and/or the Company within five (5) business days of any such claim or demand. The Franchisee agrees to respond to all claims within the time required by law, rule or regulation. The Franchisee shall cooperate with the Company (or its designee) to defend the Company and the Franchisee against any and all claims made by employees, customers or third parties. The Franchisee shall, when necessary, make appearances at administrative or other hearings to present or reinforce such defenses.

12.6 **Failure to Insure - Right to Terminate.** Failure by the Franchisee to purchase or maintain any insurance required by this Agreement, or failure to reimburse the Company for its purchase of such insurance on behalf of the Franchisee, shall constitute a material and incurable breach of this Agreement which, unless waived by the Company, shall entitle the Company to terminate this Agreement unilaterally and immediately upon notice to the Franchisee, and this Agreement shall thereafter be null, void and of no effect (except for those post-termination and post-expiration provisions which by their nature shall survive). Notwithstanding the above provision, Franchisee shall have the right to cure such default within ten (10) days from notification by Franchisee's insurance company that such insurance has lapsed.

12.7 **Minimum Coverages.** The minimum limits of insurance coverage required to be procured by the Franchisee may be modified from time to time by the Company, in its sole

discretion, by written notice transmitted by the Company to the Franchisee. Upon delivery (or attempted delivery) of such written notice, the Franchisee shall be obligated to immediately purchase insurance conforming to the newly established standards and limits prescribed by the Company. The Company may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Franchisee must routinely furnish the Company copies of its Certificate of Insurance or other evidence of maintaining this insurance coverage and paying premiums.

ARTICLE XIII

REPORTS, FINANCIAL STATEMENTS, AND AUDIT RIGHTS

13.1 **Books and Records.** The Franchisee shall establish and maintain at the Franchisee's expense a bookkeeping, accounting and record keeping system conforming to the requirements prescribed by the Company from time to time. Franchisee shall utilize the accounting functions of the BYRIDER Computer Software and install and maintain the hardware necessary to allow electronic communication between the Franchisee's technology system and the Company's technology system. Franchisee is prohibited from utilizing the bookkeeping and record system for any other business. With respect to the operation and financial condition of the Franchisee's Business, the Franchisee shall sign, verify and furnish the following reports, financial statements, and returns, to the Company in the form prescribed by the Company:

A. Within one hundred twenty (120) days after the end of the Franchisee's fiscal year, complete financial statements for such fiscal year, and such financial statements shall include **all businesses that operate in conjunction with or in relation to the Business, including ancillary products, reinsurance companies, and real estate companies.** If Franchisee uses a third party accounting firm to review or audit, then those reports prepared by the third party must be furnished. If no third party is engaged, then the statements prepared internally must be furnished. Such annual statements shall be prepared in accordance with generally accepted principles applied on a consistent basis. The Company reserves the right to require that such financial statements be audited by independent Certified Public Accountants at the Franchisee's expense.

B. Within thirty (30) days after receipt by the Franchisee, exact copies of all audits and reports from state and local regulatory agencies; and within thirty (30) days of the filing, exact copies of those portions of Franchisee's federal and state income tax returns that reflect the operations of the Franchisee's Business.

13.2 **Computer Records.** The Franchisee shall keep true, complete and accurate records of each transaction of any activity affecting the Franchisee's Business including, without limitation, Gross Sales (Byrider Vehicle Sales), purchases, sales and other related data as required from time to time by the Company. The Franchisee shall utilize programmable electronic equipment and other computer hardware and the Company's technology system which is included as an integral part of the System for such activities as may be required by the Company. The Franchisee may be required to update or upgrade the computer hardware upon written notice from

the Company. However, the Company shall not require updating or upgrading more than once every 24 months and at a cost in the aggregate not to exceed \$15,000, plus \$1,500 multiplied by the number of computers used in connection with the Franchisee's Business, during such 24 month period. The Franchisee shall utilize the Company's technology system and systems, as described in the Software Agreement, as are fully compatible with the Company's business systems without the necessity of any alteration by the Company. The Franchisee shall maintain such systems as shall be required by the Company and the Company shall have full access at all times to all of the Franchisee's computer data and programmable electronic equipment and related information and to the Franchisee's technology systems by means of direct access whether in person or by telephone/modem. The Company shall not be obligated to provide Franchisee with access to the Company's technology system or provide services therefor at any time after the termination of the Agreement.

13.3 **Audit of Books and Records.** All records shall be kept for a period of at least three (3) years following the end of each calendar year. The Company may, from time to time, cause one or more complete audits to be made of the affairs and records relating to the operations of the Franchisee's Business. Upon request by the Company, the Franchisee shall make such books, records and information available to the Company or its designated representative at all reasonable times for review and audit by the Company at the Business Location. In the event that an audit by the Company was triggered because of Franchisee's failure to provide the reports required under this Agreement, results in a determination that the Royalty Fee and/or Advertising Fees paid to the Company are deficient (underpaid) by more than 2%, or the Company reasonably concludes that the deficient payment was intentional or grossly negligent by the Franchisee, the Franchisee shall promptly pay to the Company an amount equal to three (3) times the Royalty Fee and/or Advertising Fee shown to be due and all costs and expenses incurred by the Company in conducting such audit, including salaries of the Company's representatives, travel costs, room and board and audit fees. Nothing contained herein shall constitute an agreement by the Company to accept any payments after the same are due or a commitment by the Company to extend credit to or otherwise finance the Franchisee's operation of the Franchisee's Business. The Company agrees that the penalties referred to herein shall not apply to any deficiencies referred to herein for the first occurrence if said occurrence is cured within five (5) business days upon written notice by the Company to the Franchisee.

13.4 **Compliance Audits.** The Company may from time to time perform compliance audits reviewing operations of the Franchisee's Business, such as legal regulatory compliance issues, marketing, and adherence to Byrider, CNAC, and Service Center operational standards ("Compliance Audits" or in the singular "Compliance Audit"). If Franchisee fails a Compliance Audit, in the reasonable judgment of the Company, a failure currently meaning a score of less than 80%, Franchisee shall pay to Company a penalty in the amount of \$500.00 plus reimbursement of travel, food, and lodging for a second consecutive audit. If Franchisee fails the second consecutive Compliance Audit, Franchisee shall pay to Company a penalty in the amount of \$2,500.00 plus reimbursement of travel, food, and lodging for a third consecutive Compliance Audit. If Franchisee fails the third consecutive Compliance Audit, Franchisee shall pay to Company a penalty in the amount of \$10,000.00 and the Company shall have the right to terminate this Agreement pursuant to Section 16.2.

ARTICLE XIV

TRANSFER OF FRANCHISE

14.1 **Assignment by the Company.** The Franchisee acknowledges that the Company maintains a staff to manage and operate the System and that staff members can change as employees come and go. The Franchisee further acknowledges that it did not sign this Agreement in reliance on the continued participation by or employment of any of the Company's shareholders, directors, officers, or employees. The Company shall have the right to change its ownership or form and/or assign or transfer this Agreement, all of its rights, obligations and privileges under this Agreement, and any other agreement to a third party without restriction. After the Company's assignment of this Agreement to a third party who expressly assumes all of the obligations of the Company under this Agreement, the Company will no longer have any performance or other obligations under this Agreement. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to the Company's interest in it.

14.2 **Assignment by Franchisee to a Wholly-Owned Corporation or Limited Liability Company or Other Business Entity.** Notwithstanding anything contained herein to the contrary, including, without limitation, Section 14.3 below, subject to the Company's prior written consent, which will not be unreasonably withheld, if the Franchisee is a natural person and is in full compliance with this Agreement, he may assign and transfer the rights hereunder to a corporation, limited liability company, or other similar business entity (hereinafter, the "Entity") in which the Franchisee (a) is the owner of the controlling ownership interests of the Entity and (b) is the principal executive officer of the Entity, as long as: (i) the Entity owns all of the assets of the Franchisee's Business; (ii) the Entity's activities are confined exclusively to operating the Franchisee's Business; and (iii) the other owners of the Entity's ownership interests would not be in violation of the covenants not to compete set forth in Section 18.1. Such transfer will not be subject to payment of a transfer fee. The Entity must, in a writing satisfactory to the Company, assume all the Franchisee's obligations under this Agreement. No new ownership interests in the Entity shall be issued to any person, trust, foundation, limited liability company, corporation or other business entity without obtaining the Company's prior written consent and then only upon disclosure of the terms and conditions contained herein being made to the prospective new holders of the ownership interest. Franchisee agrees to execute a guaranty in the form Company prescribes undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between the Company and Franchisee.

14.3 **Assignment by Franchisee to Third Party.**

A. The Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to the Franchisee and its owners and that the Company has granted the Franchisee the franchise in reliance upon its perceptions of the Franchisee's and its owners' individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following (each a "Transfer") may be transferred without the Company's prior written approval which will not be unreasonably withheld: (i) this Agreement (or any interest in this Agreement); (ii) the Franchisee's Business (or any right to receive all or a portion of the Franchisee's Business' profits or losses or capital appreciation related to the Franchisee's Business); (iii) the right to occupy the Business Location; (iv) substantially all of the assets of the

Franchisee's Business; (v) any ownership interest in the Franchisee (if the Franchisee is a legal entity); or (vi) any ownership interest in any of the Franchisee's owners (if such owners are legal entities). A transfer of the ownership, possession or control of the Franchisee's Business, or substantially all of its assets, may be made only with a transfer of the franchise granted under this Agreement. Any transfer without the Company's approval is a breach of this Agreement and has no effect.

A "transfer" shall not include a transfer of a deceased owner's ownership interest in Franchisee or Franchisee's owner to an existing owner so long as a new majority owner, if any, signs all documents a majority owner is required to sign under this Agreement.

B. In this Agreement, the term "Transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

(1) merger or consolidation or issuance of additional securities or other forms of ownership interest;

(2) any sale of a security convertible to an ownership interest;

(3) transfer of an interest in the Franchisee or the Franchisee's owners, this Agreement, the Franchisee's Business or substantially all of its assets, or the right to occupy the Business Location in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(4) if the Franchisee, one of the Franchisee's owners or an owner of one of the Franchisee's owners dies (if natural persons), a transfer of an interest in the Franchisee, this Agreement, the Franchisee's Business or substantially all of its assets, the right to occupy the Business Location or the Franchisee's owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(5) pledge of this Agreement (to someone other than the Company) or an ownership interest in the Company or its owners as security, foreclosure upon the Franchisee's Business, or the Franchisee's transfer, surrender, or loss of the possession, control, or management of the Franchisee's Business; provided that Franchisee may pledge the assets of the Franchisee's Business to a lender in connection with obtaining financing for the Franchisee's Business.

C. If the Franchisee and its owners are in full compliance with this Agreement, then, subject to the provisions of this Section 14, the Company will approve a transfer that meets all of the requirements of this Section 14.3.C. A non-controlling (less than 50%) ownership interest in the Franchisee (or its owners), as determined as of the date on which the proposed transfer will occur, may be transferred if the proposed transferee and its direct and indirect owners (if the transferee is a legal entity) are of good character and meet the Company's then applicable standards for franchisees. All proposed transferees must fill out and submit to the Company its then current form of franchise application. If the proposed transfer is of this Agreement, the Franchisee's Business or a controlling ownership interest in the Franchisee or one of its owners, or is one of a series of transfers (regardless of time period over which these transfers take place) which in the aggregate transfer this Agreement or a controlling ownership interest in the

Franchisee (or one of its owners) (each, a “Control Assignment”), then all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) The purchaser, transferee, lessee or assignee (the "Assignee") (or the principal officers, shareholders, members, or directors of the Assignee in the case where the Assignee is a legal entity) has the aptitude, skills, qualifications, credit and financial resources necessary, in the Company's judgment, to conduct the Franchisee's Business and to fulfill the Assignee's obligations to the Company;

(2) As of the date of any such Control Assignment, the Franchisee shall have fully complied with all its obligations hereunder or under any other agreement with the Company, including, without limitation, (i) paying all monetary obligations owed to the Company, its affiliates, and any third party vendors, (ii) submitting all required reports and statements, and (iii) complying with all provisions of this Agreement or any other agreement with the Company or its affiliates during both the sixty (60) day period before the Franchisee requested the Company's consent and the period between the Franchisee's request for consent and the effective date of the Assignment;

(3) Neither the Assignee nor its owners (if the Assignee is a legal entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business (defined in Section 18.1);

(4) The Business Location's landlord, if any, allows the Franchisee to transfer the Business Location's lease to Assignee, Assignee assumes all of the obligations of the Franchisee under the lease for the Business Location and the Franchisee is not in default with respect to any of its obligations under said lease;

(5) Unless the Assignee is an immediate family member of Franchisee (or the transferring owner), the Assignee executes the Company's then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided that the Assignee shall not be obligated to pay an Initial Franchise Fee; provided further that the term of the new franchise agreement shall expire on the date provided in such new franchise agreement;

(6) The Franchisee and its owners execute and deliver to the Company a general release of all claims against the Company, its shareholders, officers, directors, employees, and agents;

(7) The Assignee, or Designated Manager designated by the Assignee, shall have satisfactorily completed the Initial Training Program then required of all new franchisees of the Company, and paid the then-current training fee being charged by the Company in connection with all such transfers, unless such training is waived by the Company, in writing, because of the Assignee's prior experience or training;

(8) All individuals and entities who will be direct or indirect owners must execute or have executed a guaranty in a form the Company prescribes;

(9) The Company has determined that the purchase price and payment terms will not adversely affect the Assignee's operation of the Franchisee's Business;

(10) If the Franchisee or any of its owners finance any part of the purchase price, the Franchisee and/or its owners agree that all of the Assignee's obligations under promissory notes, agreements or security interests reserved in the Franchisee's Business are subordinate to the Assignee's obligations to pay any amounts due to the Company, its affiliates, and third-party vendors and otherwise to comply with this Agreement;

(11) (a) Franchisee has corrected any existing deficiencies of the Business Location of which the Company has notified Franchisee on a punch list or in other communications, and/or (b) the Assignee agrees (if the Control Assignment is of this Agreement) to upgrade, remodel, and refurbish the Business Location in accordance with the Company's then-current requirements and specifications for Businesses within the time period the Company specifies following the effective date of the Control Assignment; provided the Company will advise the Assignee before the effective date of the Control Assignment of the specific actions that it must take and the time period within which such actions must be taken;

(12) The Franchisee shall provide the Company with such information as the Company shall require to make such evaluations of the proposed Assignee as it shall deem necessary to satisfy its requirements;

(13) The Franchisee has first offered to sell, transfer, lease or assign this Agreement and the Franchisee's Business to the Company in accordance with Article XV; unless the Assignee is an immediate family member of Franchisee (or an approved existing owner of the franchise);

(14) The Franchisee and its transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Businesses the Franchisee owns and operates) identify itself or themselves or any business as a current or former Business or as one of the Company's franchise owners; use any Mark, any colorable imitation of a Mark, or other indicia of a Business in any manner or for any purpose; utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with the Company;

(15) Any advertisement for the sale of the Franchisee's rights hereunder shall make clear that the Franchisee and not the Company is the offeror;

(16) The Franchisee shall pay the Transfer Fee to the Company; unless the Assignee is an existing owner of Franchisee or an immediate family member of Franchisee (or one of its owners); and

(17) The Franchisee and its transferring owners comply with the covenants under Sections 18.1 and 18.2.

The Franchisee acknowledges and agrees that the Company may review all information regarding the Franchisee's Business that the Franchisee gives the Assignee, correct any information that the Company believes to be inaccurate, and give the Assignee copies of any

reports that the Franchisee has given the Company or the Company has made regarding the Franchisee's Business.

14.4 **Death or Incapacity of the Franchisee.**

A. In the event of the death or incapacity of the Franchisee (if it is a natural person) or the death or incapacity of Franchisee's principal owner (if Franchisee is a legal entity), the Franchisee's or such principal owner's heirs, personal representatives, executors, guardians, administrators or conservators, as applicable, shall, within one hundred eighty (180) days following such death or incapacity, complete the transfer of the Franchisee's interest in this Agreement, the Franchisee's Business and Business Location or, as applicable, of the principal owner's interest in Franchisee, to a person or entity approved by the Company. The person to whom such interests are proposed to be transferred must meet the Company's standards for new franchisees, agree to execute the then-current form of franchise agreement, and, within ninety (90) days after the death or legal incapacity of the Franchisee (or the death or legal incapacity of the principal owner of the Franchisee if the Franchisee is a legal entity), shall have satisfactorily completed the Company's then current Initial Training Program; provided that the transferee will not be required to execute the then-current form of franchise agreement if the transferee is an immediate family member of Franchisee (or the deceased owner if Franchisee is an entity). If at the time of such death or legal incapacity the Franchisee has employed a manager who has satisfactorily completed such training program, such manager shall be deemed to have satisfied such training requirements. The term "**incapacity**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent the Franchisee or its principal owner from supervising the management and operation of the Franchisee's Business. In the event the transferee is an immediate family member of Franchisee (or the deceased owner if Franchisee is an entity), then no Transfer Fee shall be due to the Company.

14.5 **Effect of Consent to Transfer.** The Company's consent to an Assignment of this Agreement, the Franchisee's Business, the right to occupy the Business Location, or any interest in Franchisee or its owners, is not a representation of the fairness of the terms of any contract between the Franchisee and the Assignee, a guarantee of the prospects of success of the Franchisee's Business or the Assignee, or a waiver of any claims the Company has against the Franchisee (or its owners) or of the Company's right to demand the Assignee's full compliance with this Agreement.

14.6 **No Encumbrance.** Neither Franchisee nor its owners shall have the right to pledge, encumber, hypothecate, or otherwise give any third party a security interest in (i) the ownership interests of Franchisee or its owners, as applicable, or (ii) this Agreement, in any manner whatsoever, unless (a) the Company provides its prior written consent, which consent may be withheld for any reason whatsoever in the Company's sole judgment and (b) the secured party agrees that its claims will be subordinate to all amounts the Franchisee owes at any time to the Company or its affiliates.

ARTICLE XV

RIGHT OF FIRST REFUSAL

15.1 **Procedure Regarding Right of First Refusal and Assignment.** If the Franchisee (or any of its owners) at any time determine to effectuate a Control Assignment, the Franchisee agrees to obtain from a responsible and fully disclosed buyer, and send to Company a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to the Control Assignment. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price.

15.2 **Right of First Refusal.** Within thirty (30) days after the Company's receipt of the bona fide written offer and all other information the Company requests (the "Review Period"), the Company shall have the right, by written notice to the Franchisee, to cause the Control Assignment to be made to itself or to its nominee upon the terms and conditions contained in the written offer except that the Company shall be allowed to pay the equivalent cash value of any consideration specified in the notice, and Franchisee will be required to grant the customary warranties and representations to the Company. The failure of the Company to deliver such notice within the Review Period shall constitute a waiver of its right of first refusal. In the event the Control Assignment is to Franchisee's (or the transferring owner's) family members, then this Article XV shall not apply.

15.3 **Company Objections/Conditions to Assignment.** If the Company does not exercise its said right of first refusal it shall have the right, but not the obligation, to deliver to the Franchisee, no later than the expiration of the Review Period, written notice of any objection it has, or any conditions it will impose upon, the proposed assignment. The failure of the Company to deliver such notice within the Review Period shall constitute a consent to the proposed assignment but without waiver of any other rights the Company has under this Agreement.

15.4 **Change in Terms/Conditions of Assignment.** If the Company does not exercise its right of first refusal, and does not object to the Control Assignment, the Franchisee shall have the right, for a period of ninety (90) days after the expiration of the Review Period, to effect the Control Assignment to the proposed Assignee upon the terms and conditions specified in the written offer submitted to the Company subject to such conditions as the Company may have reasonably imposed thereon. If the terms of the Control Assignment are materially changed thereafter, such changed terms shall be deemed a new offer and the Company shall again have such right of first refusal with respect to them.

15.5 **Failure of Assignment - New Right of First Refusal.** If the Franchisee fails to effectuate the Control Assignment within ninety (90) days after the expiration of the Review Period, then the proposed Control Assignment shall be deemed a new proposal for Control Assignment with respect to which the Company shall have the right of first refusal.

ARTICLE XVI

DEFAULT & TERMINATION.

16.1 **The Company's Right to Terminate Prior to Opening.**

A. The Company shall have the right to terminate this Agreement forthwith if:

(1) Prior to the Franchisee's Business opening, the Franchisee shall have failed to satisfactorily complete the Initial Training Program as required herein. The Franchisee acknowledges that because of the Company's skill and knowledge with respect to the training and skill required to manage the Business, its decision whether or not the Franchisee has satisfactorily completed such training may be made by the Company in the good faith exercise of its sole, subjective judgment;

(2) The Franchisee's Business is not opened to the public for business within one (1) year of the execution of this Agreement;

(3) Any financial, personal or other information provided by the Franchisee to the Company in connection with the Franchisee's application for the franchise is materially false, misleading, incomplete or inaccurate.

B. If the Company elects to terminate this Agreement pursuant to this Section, the Company shall notify the Franchisee of its election. If, at the time of such termination, the Franchisee has entered into a binding lease or purchase agreement for the Business Location or has entered into binding purchase orders for the purchase of equipment or fixtures to be installed in the Business Location, the Company shall have the right but not the obligation to require the Franchisee to use its best efforts to assign its rights under the lease, purchase agreements and purchase orders to the Company or its designee. If the Company elects, and such assignments are made, the Company or its designee shall assume all of Franchisee's obligation under such lease, purchase agreements and purchase orders. If the Company exercises its right to terminate pursuant to this Article, this Agreement shall be null, void and of no effect, and neither party shall have any further right or obligation to the other except those obligations which, by their nature, survive such termination.

16.2 **The Company's Right to Terminate After Opening.**

A. **Grounds for Termination Without Cure Period.** The Company shall have the right to terminate this Agreement immediately if:

(1) The Franchisee (or any of its owners) has made or makes any material misrepresentation or omission in acquiring or operating the Franchisee's Business;

(2) The Company has sent a notice of default under the Software Agreement due to Franchisee's breach of its provisions or under any other franchise agreement for a Business between the Franchisee (or any of its owners or affiliates) and the Company, which default is not timely cured;

(3) The Franchisee (or any of its owners) makes or attempts to make any transfer in violation of Article XIV;

(4) The Franchisee makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; the Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its property; the Franchisee's Business is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of the Franchisee or the Franchisee's Business is not vacated within thirty (30) days following the order's entry;

(5) The Franchisee's Business or the Business Location is seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against the Franchisee remains unsatisfied for ninety (90) days (unless a supersedeas or other appeal bond has been filed); or a levy of execution has been made upon the licenses granted hereunder or upon any property used in the Franchisee's Business, and is not discharged within thirty (30) days of such levy;

(6) The Franchisee or Designated Manager, directors, officers or majority stockholder are convicted of, or plead guilty or no contest to, a felony or other criminal misconduct which is directly related to the operation of the Franchisee's Business; or

(7) A termination of any other franchise agreement between Franchisee (or any of its affiliates) and Company.

B. Termination After Opportunity to Cure.

(1) The Company shall have the right to terminate this Agreement immediately if the Franchisee fails to pay the Company, the Ad Group (or their affiliates) any amounts due and does not cure the failure within ten (10) business days after written notice of the failure to the Franchisee.

(2) The Company shall have the right to terminate this Agreement immediately if the Franchisee fails to comply with this Agreement in any of the following manners and does not cure the failure within thirty (30) days after written notice of the failure to the Franchisee:

a) The Franchisee voluntarily or otherwise abandons the Franchisee's Business by failing to operate it for a period of three (3) consecutive business days or more during the Term, unless the Franchisee's Business has been closed for a purpose approved by the Company;

b) The Franchisee fails to purchase or maintain the insurance required by this Agreement or fails to reimburse the Company for purchasing of such insurance on the Franchisee's behalf;

c) The Franchisee interferes with the Company's right to inspect the Franchisee's Business or observe its operation, as provided in **Section 6.10** of this Agreement;

d) The Franchisee (or any of its owners) makes any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;

e) The Franchisee's or Franchisee's owner's assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or the Franchisee or any of the Franchisee's owners otherwise violate any such law, ordinance, or regulation;

f) The Franchisee fails to comply with any federal, state or local law, ordinance, or regulation;

g) The Franchisee fails to pay when due any federal or state income, service, sales, or other taxes due on the operation of the Franchisee's Business, unless the Franchisee is in good faith contesting its liability for these taxes;

h) The Franchisee (or its owner) fail to assign this Agreement in accordance with the terms of this Agreement in the event of the Franchisee's (or its owner's) death or disability; or

i) The loss by the Franchisee of the right to occupy the Business Location because of a breach by Franchisee of any material provision of the lease for the Business Location, or otherwise, unless Franchisee has secured an alternative location acceptable to the Company; or

j) The Franchisee fails to comply with any other provision of this Agreement and does not correct the failure within (30) days after the Company delivers written notice of the failure to the Franchisee.

(k) The Franchisee fails, in the reasonable judgment of the Company, to satisfactorily pass three (3) consecutive Compliance Audits performed by the Company.

C. **Effectiveness of Termination.** Except for termination pursuant to Section 16.2B(1), 16.2A(3) or 16.2A(4), the termination of this Agreement pursuant to Section 16.2A or Section 16.2B shall be automatically effective sixty (60) days after delivery of the notice of termination, provided that a termination for default pursuant to Section 16.2B(1), 16.2A(3) or 16.2A(4), shall be effective ten (10) days after delivery of the notice of termination. The Franchisee acknowledges and agrees that, upon delivery of this notice of termination, Franchisee shall have no additional opportunity to cure the default based upon which the Company terminated this Agreement. The Franchisee further acknowledges and agrees that the sixty (60) day (or ten (10) day period if terminated pursuant to Section 16.2B(1) or pursuant to 16.2A(4)) (referred to herein as the "Wind Down Period") shall be used by Franchisee for the sole purpose of winding down the Franchisee's Business and, during such period, the Franchisee must continue to operate the Franchisee's Business pursuant to the terms of this Agreement. In the event the Franchisee engages in any conduct during this period which, in the reasonable opinion of the Company, impairs the goodwill and reputation of the Company, the Marks and/or the System, the Company has the right to eliminate any or all of the wind down period and effectuate the termination immediately upon written notice to Franchisee.

Notwithstanding anything contained in Section 17.1 to the contrary, the Franchisee acknowledges and agrees that it shall use the Wind Down Period to perform its obligations under Section 17.1 and that within ten (10) days of the effectiveness of the termination, the Franchisee shall provide the Company with evidence that the Franchisee has complied with all of those obligations.

16.3 **Franchisee's Rights to Terminate.**

A. **Grounds.** If the Franchisee is in full compliance with this Agreement and the Company breaches any material provision, term or condition, Franchisee may terminate this Agreement as provided herein.

B. **Procedure.** The Franchisee shall not have any right to terminate this Agreement or commence an action against the Company for injunctive relief, violation of any state, federal or common law, unless and until:

(1) Written notice setting forth the alleged breach in detail has been delivered to the Company by the Franchisee; and

(2) The Company fails to correct, or diligently make all reasonable efforts to correct, the alleged breach within thirty (30) days after receipt of such written notice.

C. **Required Notice-Waiver of Breach.** If the Franchisee fails to give the Company written notice of an alleged breach of this Agreement within one (1) year from the date that the Franchisee has knowledge of the facts which constitute a breach by the Company, then the alleged breach shall be deemed to be condoned, approved and waived by the Franchisee and the alleged breach or violation shall not be deemed to be a breach or violation of this Agreement.

D. **Termination.** Notwithstanding any other provision of this Agreement to the contrary, in the event Franchisee terminates this Agreement pursuant to Section 16.3 upon final determination by a court that the Company has breached this Agreement, the Company shall hold implementation of the provisions of Sections 17.1.D.E.F.G.H and 17.2 in abeyance for such reasonable period as is necessary, not to exceed ninety (90) days, for Franchisee to implement a transition of Franchisee's Business to new systems, new signage etc. all without charge therefor, and the restrictions of Section 18.2 shall be inapplicable.

16.4 **Cross-Default.** Any default by the Franchisee (or any person/company affiliated with the Franchisee) under this Agreement may be regarded as a default under any other agreement between the Company (or any of its affiliates) and the Franchisee (or any of its affiliates). Any default by the Franchisee (or any person/company affiliated with the Franchisee) under any other agreement, including, but not limited to, any other franchise agreement, between the Company (or any of its affiliates) and the Franchisee (or any person/company affiliated with the Franchisee), and any default by the Franchisee (or any person/company affiliated with the Franchisee) under any obligation to the Company (or any of its affiliates) may be regarded as a default under this Agreement.

ARTICLE XVII

OBLIGATIONS UPON TERMINATION

17.1 **Obligations.** In the event of the termination or expiration of this Agreement, whether by reason of default, lapse of time or other cause, the Franchisee shall: (A) promptly pay all amounts owed to the Company; (B) promptly return to the Company the Manual and other confidential materials including, without limitation, all the BYRIDER Computer Software; (C) maintain confidentiality of all proprietary and Confidential Information furnished by the Company; (D) immediately cease using any of the Marks except as provided for herein; (E) immediately make all alterations to the building facilities and exterior signs at the Business Location to distinguish them from the appearance and identity of a Business; if the Franchisee shall fail or refuse to make or cause such changes to be made, the Company, without prejudice to its other rights and remedies, may enter upon the Business Location, forcibly if necessary, without being guilty of trespass or any other tort, and make such changes at the Franchisee's expense except as provided for herein; (F) within thirty (30) days after the termination or expiration of this Agreement, cancel all Byrider telephone listings, numbers and directory advertising, and, if required by the Company, direct the transfer of the same to the Company or on its order; (G) take such actions as may be necessary or desirable to assign to the Company or the Company's designee any Internet domain names, assumed name, rights or equivalent registration which contain the Marks, including, without limitation, any slogans used by the Company, within thirty (30) days after the termination or expiration of this Agreement; (H) comply with all covenants contained in Article XVIII herein; (I) pay all costs, including attorneys' fees, incurred by the Company in terminating this Agreement.

Further, if the Franchisee or an affiliate of Franchisee is the titleholder of the Business Location and if the termination of this Agreement is due to Franchisee's breach prior to the scheduled expiration of this Agreement according to 5.1 herein, the Company shall have the right, but not the obligation, to enter into a lease for the Business Location at a fair market value rental for a term of two (2) years.

17.2 **Termination of Access to BYRIDER Computer Software.** Upon termination or expiration of this Agreement, the Software Agreement shall also concurrently expire or terminate. Upon such termination or expiration, the Company shall not be obligated to provide the Franchisee with access to the BYRIDER Computer Software or provide any services with respect thereto, except that the Company shall promptly make available to Franchisee (in a commercially reasonable media and form or format, as Company shall determine) any and all information needed to permit Franchisee (or its assignee) to collect its receivables and otherwise engage in an orderly transfer, transition or wind down of Franchisee's Business.

17.3 **Survival of Obligations.** The expiration or termination of this Agreement shall be without prejudice to any of the rights and remedies of the Company with respect to the foregoing obligations, competitive covenants and other like matters that reasonably would survive the end of this Agreement.

ARTICLE XVIII

COVENANTS NOT TO COMPETE

18.1 In-Term Covenant Not To Compete.

Franchisee and its owners agree that, during this Agreement's term, neither Franchisee, nor any owner, nor any member of Franchisee's or an owner's immediate family will:

- (a) have any direct or indirect, controlling or non-controlling interest as an owner (whether of record, beneficial or otherwise) in, or as a landlord of, a Competitive Business (defined below), wherever located or operating;
- (b) perform services as a director, officer, manager, employee, consultant, representative or agent, or in any other capacity, for a Competitive Business, wherever located or operating;
- (c) recruit or hire any employee of Company, Company's affiliates or Company's franchisees without obtaining prior written permission from such employer; or
- (d) divert or attempt to divert any actual or potential business or customer of the Franchisee's Business to a Competitive Business.

The term "Competitive Business" means any business (other than a Business being operated pursuant to a franchise agreement with the Company) which: (i) offers leasing or sells used automobiles, while retaining the retail installment contract or lease, (ii) operates itself as a provider of buy here pay here or lease financing whereby the selling dealer who originates retail installment contracts or leases and the assignee of the retail installment contracts or leases have some common equity ownership; (iii) provides vehicle repair services; or (iv) grants franchises or licenses to operate a business covered by the terms of (i), (ii) or (iii) of this subsection.

18.2 After Termination. With the exception of activities usual and customary to the winding-up or transfer of a business (e.g. collection of receivables, transitional assistance to a transferee, etc.), which activities Company hereby affirms that Franchisee shall have the right in which to engage, Franchisee agrees that for a period of twenty-four (24) months following the expiration or termination of this Agreement or any Successor Franchise Agreement, neither it nor any of its owners (or their immediate family members) will (i) engage, participate or assist in any way in the operation of or (ii) have any direct or indirect interest (whether as an owner, investor, partner, director, officer, employee, consultant, representative, agent, landlord, or otherwise) in, any Competitive Business that is located within a twenty-five (25) mile radius of Franchisee's Business or within a ten (10) mile radius of any Business in operation or under construction as of the date of expiration or termination of this Agreement.

18.3 Covenants by Franchisee's Personnel. The Company shall have the right to require the Designated Manager and all other personnel performing managerial or supervisory functions and all personnel receiving special training from the Company to execute confidentiality covenants in a form satisfactory to the Company.

18.4 **Enforcement of Covenants Not To Compete.** The Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to the Company for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby acknowledges the Company's right to seek an injunction and agrees not to contest any application by the Company for such injunction to prohibit any conduct by the Franchisee in violation of the terms of those covenants not to compete set forth in this Agreement. The Franchisee expressly agrees that it may be conclusively presumed that a violation of the terms of said covenants not to compete was accomplished by and through the Franchisee's unlawful utilization of the Company's Confidential Information, know-how, methods and procedures. Further, the Franchisee expressly agrees that the existence of any claims it may have against the Company, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by the Company for the covenants not to compete set forth in this Agreement.

18.5 **Fee for Employment Practices.** Franchisee acknowledges that the Company and Byrider Businesses make substantial investment in the hiring, training, and developing of its and their employees. Although Franchisee is not restricted from soliciting and/or hiring such employees, Franchisee agrees that if, during the Term and for a one (1)-year period after the termination or expiration of this Agreement, Franchisee or any of its owners, directly or indirectly, on behalf of itself or any other person (whether as an owner, employee, agent, consultant or in any other capacity), employs any person who is an employee of, or who, within one year of being hired by Franchisee, was previously employed by, the Company (or any of its affiliates) or any Byrider Business, without the written consent of the Company (or such affiliate) or such Byrider Business, then Franchisee must immediately pay an amount of damages equal to three (3) times the annual compensation of such individual to the Company (or its affiliate) or Byrider Business, as applicable.

ARTICLE XIX

ARBITRATION

19.1 Arbitration.

The parties agree that all controversies, disputes, or claims between Company and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee's owners, guarantors, affiliates, and/or employees) arising out of or related to:

- (1) this Agreement or any other agreement between the parties;
- (2) Company's relationship with Franchisee;
- (3) the validity of this Agreement or any other agreement between the parties or any provision of any such agreements (including validity and scope of the arbitration obligations under this Section, which the parties acknowledge are to be determined by an arbitrator, not a court); or
- (4) any System requirement;

must be submitted for binding arbitration, on demand of either party, to Judicial Arbitration and Mediation Service (“JAMS”) or its successor (or an organization designated by JAMS or its successor). All questions of arbitrability shall be determined by the arbitrator. The arbitration proceedings will be conducted by one arbitrator and, except as this Subsection otherwise provides, according to the then current arbitration rules of JAMS. All proceedings will be conducted at a suitable location chosen by the arbitrator in the Indianapolis, Indiana metropolitan area. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her award any relief which he or she deems proper, including, without limitation, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any mark generic or otherwise invalid or, except as expressly provided in Section 20.8 below, award any punitive, exemplary or multiple damages against either party (each party hereby waiving to the fullest extent permitted by law, except as provided in Section 20.8 below, any right to or claim for any punitive or exemplary damages against the other).

Company and Franchisee agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. Company and Franchisee further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either Company or Franchisee.

Company and Franchisee agree that arbitration will be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between Company and its affiliates, and their respective shareholders, officers, directors, agents, and/or employees, and Franchisee (and/or Franchisee’s owners, guarantors, affiliates, and/or employees) may not be consolidated with any other arbitration proceeding between Company and any other person. Notwithstanding the foregoing or anything to the contrary in this Section or Section 20.1, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute that otherwise would be subject to arbitration under this Section 19.1, then all parties agree that this arbitration clause shall not apply to that dispute and that such dispute shall be resolved in a judicial proceeding in accordance with Section 20.6.

Despite this agreement to arbitrate, Company and Franchisee each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction; provided, however, that Company and Franchisee must contemporaneously submit the dispute for arbitration on the merits as provided in this Subsection.

The provisions of this Subsection are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

ARTICLE XX

MISCELLANEOUS

20.1 **Severability.** All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid and unenforceable provisions were not contained herein and partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or refusal to extend the Term or prior notice of the refusal to grant the right to obtain a Successor Franchise Agreement than is required herein or the taking of some other action not required hereunder or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by the Company is invalid or unenforceable, the prior notice or other action required by such law or rule shall be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure shall be modified to the extent required to be valid and enforceable. Such modifications to this Agreement shall be effective only in such jurisdictions and shall be enforced as originally made and entered into in all other jurisdictions.

20.2 **No Third Party Rights.** Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall it be deemed to confer upon any person or legal entity other than the Company or the Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason of this Agreement, except as provided in Section 18.5 and Section 19.1.

20.3 **Captions.** All captions herein are intended solely for the convenience of the parties and none shall be deemed to affect the meaning or construction of any provision hereof.

20.4 **Counterparts.** This Agreement may be executed in one or more counterparts and each copy so executed shall be deemed an original but all copies together shall constitute one agreement.

20.5 **Governing Law.** This Agreement takes effect upon its acceptance and execution by the Company in Indiana and shall be interpreted and construed in accordance with Indiana law. Any dispute between the parties, except as stated in this Section 20.5, shall be governed by the laws of the State of Indiana which law shall prevail in any event of conflict of law, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. 1051 et seq.), the United States Arbitration Act (9 U.S.C. 1 et seq.), or other federal law. The provisions of any law of Indiana regarding franchises (including, without limitation, registration, disclosure, or relationship, and the regulations promulgated thereunder) shall not apply unless such law's jurisdictional, definitional and other requirements are met independently of, and without reference to, this Section. The enforceability of the covenants set forth in Article XVIII shall be determined in accordance with the law of the state in which Franchisee's Business is located.

20.6 **Choice of Forum.** The Company and the Franchisee agree that any action brought by one of them against the other (which is not to be arbitrated pursuant hereto or pursuant

to law) shall be instituted exclusively in a state or federal court having subject matter jurisdiction thereof located in Marion County, Indiana and they irrevocably waive any objection they may have to the jurisdiction or the venue of such court.

20.7 **Jury Trial Waiver.** The Company and the Franchisee irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

20.8 **Punitive Damage Waiver.** The Company and the Franchisee irrevocably waive any claim to punitive damages in any action, proceeding or counterclaim, whether at law or in equity brought by either of them.

20.9 **Limitation of Actions.** Except for claims arising from the Franchisee's non-payment or underpayment of amounts owed to the Company or its affiliates, any and all claims arising out of or relating to this Agreement or the relationship between the Franchisee and the Company will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

20.10 **Waiver.** The Company and the Franchisee may, by written instrument, unilaterally waive any obligation or restriction upon the other under this Agreement. Except as provided herein, no acceptance by the Company of any payment by the Franchisee and no failure, refusal or neglect of the Company to exercise any right under this Agreement or to insist upon full compliance by the other with its obligations hereunder, including, without limitation, any mandatory specification, standard operating procedure, shall constitute a waiver of any provision of this Agreement.

20.11 **Royalty Fee.** The Franchisee shall not, on the grounds of alleged non-performance by the Company of any of its obligations hereunder, withhold payments of the Royalty Fee or any other amounts due the Company.

20.12 **Attorneys' Fees.** In the event either the Company or the Franchisee institutes a suit, action, arbitration, or proceeding to enforce any term or provision of this Agreement, the prevailing party in the suit, action, arbitration, or proceeding or, on appeal, shall be entitled to recover from the losing party reasonable attorneys' fees to be set by the trial or appellate court in addition to costs or disbursements provided by law.

20.13 **Notices - Approvals.**

A. **Notices.** All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manual will be deemed to be delivered: (a) at the time delivered by hand; (b) at the time delivered via computer transmission; (c) one (1) business day after transmission by facsimile or other electronic system if the sender has confirmation of successful transmission; (d) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery; or (e) three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and (f) must be addressed to the party to be notified at its most current principal business address of which the notifying party has notice. Any required payment or report

which Company does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days before then) will be deemed delinquent.

B. **Approvals.** Unless specifically provided otherwise where the consent or approval of the Company or the Franchisee is required herein, such consent or approval shall not be unreasonably withheld or delayed.

C. **Force Majeure.** Neither the Company nor Franchisee shall be liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) acts of God; (2) fires, strikes, embargoes, war or riot; or (3) any other similar event or cause that are beyond the control of the party failing to perform its obligations. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said cause shall not excuse payment of amounts owed at the time of such occurrence or thereafter and as soon as possible the non-performing party shall immediately resume performance and, in no event, shall non-performance be excused for more than six (6) months.

20.14 **Binding Effect.** This Agreement is binding upon the parties and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement by both the Franchisee and the Company, except that the Company shall have the right to unilaterally change the Manual from time to time so long as such change does not directly conflict with any provision of this Agreement.

20.15 **Complete Agreement.** This Agreement contains the complete expression of the agreement between the parties and there are no promises, representations or inducements except as herein provided. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the franchise disclosure document.

20.16 **Confidentiality.** Except as required for Franchisee to conduct its regular daily business with the Company, Franchisee shall not at any time, either during or after termination of Franchisee's relationship with the Company, or in any way, disclose, disseminate, transfer and/or use, or permit anyone else to disclose, disseminate, transfer and/or use, any Confidential Information of the Company, and Franchisee shall retain all such information in trust for the sole use and benefit of the Company and/or its affiliates. Franchisee acknowledges that the Confidential Information of the Company is valuable, special and unique to the Company's business and on which such business depends, and is proprietary to the Company and its affiliates, and that the Company has protected and wishes to continue to protect the Confidential Information by keeping it secret and confidential for the sole use and benefit of the Company and its affiliates. Franchisee will take all steps necessary and all steps reasonably requested by the Company, to insure that all such Confidential Information is kept secret and confidential for the sole use and benefit of the Company and its affiliates. In so doing, Franchisee shall require and represents that each of its employees, agents and representatives complies with each and every provision of this Agreement. Upon termination of this Agreement without the necessity of any request from the Company, or at any other time the Company may in writing so request, Franchisee shall promptly deliver to the Company all materials concerning any Confidential Information, copies thereof and any other materials of the Company and/or its affiliates which are in Franchisee's possession or under Franchisee's control, and Franchisee shall not make or retain any copy, draft or extract

thereof which has been made at any time. Franchisee acknowledges that the foregoing provisions are necessary to protect the special knowledge of the Company's and its affiliates' trade secrets (which are the result of a considerable amount of time, money and effort of the Company and its affiliates to increase and maintain its sales, including product sales) which Franchisee has acquired and will acquire in carrying out Franchisee's job responsibilities as well as the Company's goodwill and customer relationships to which Franchisee has gained access through Franchisee's dealer relationship. Nothing contained herein shall be construed or considered to vest in the Franchisee any right, title or interest of any kind in or to the information disclosed or made available to it by the Company pursuant to this Agreement or otherwise. Accordingly, Franchisee acknowledges and agrees that all memoranda, notes, records, agreements, documents and other materials, as well as copies and drafts thereof, made and/or compiled by Franchisee and/or made available to Franchisee during the course of his/her dealer relationship, which relate to the Confidential Information (as stated above), is and shall remain the property of the Company. The obligations of Franchisee under this Section shall survive the termination (for any reason) or breach of this Agreement.

20.17 **Submission of Agreement.** The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution hereof by the Company and the Franchisee. The date of execution by the Company shall be considered to be the date of execution of this Agreement.

20.18 **Compliance with Anti-Terrorism Laws.** Franchisee and Franchisee's owners agree to comply, and to assist the Company to the fullest extent possible in Company's efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and Franchisee's owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and Franchisee's owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or Franchisee's owners, or any blocking of Franchisee's or Franchisee's owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 16.2(A)(14) above.

20.19 **Disclosure of Franchisee Shareholders.** Upon request by the Company, Franchisee shall disclose to the Company the names of the shareholders and their respective percentages of ownership of the Franchisee corporation, Franchisee limited liability company, or other Franchisee entity.

THIS AGREEMENT SHALL NOT BE BINDING ON THE COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF THE COMPANY.

IN WITNESS WHEREOF, the Company and the Franchisee have respectively signed this Agreement as of the day and year first above written.

THE COMPANY DISCLAIMS ANY WARRANTY OR REPRESENTATION AS TO THE POTENTIAL SUCCESS OF THE FRANCHISEE'S BUSINESS OPERATIONS UNDER THIS AGREEMENT.

This is a legal document that grants specific rights to and imposes certain obligations on the Company and the Franchisee. Consult legal counsel to be sure that you understand your rights and duties.

FRANCHISEE HAS READ ALL OF THE FOREGOING AGREEMENT AND HEREBY ACCEPTS AND AGREES TO EACH AND ALL OF THE PROVISIONS, COVENANTS AND CONDITIONS THEREOF AND ALL EXHIBITS/ADDENDUMS ATTACHED HERETO.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

EXHIBIT A
TO FRANCHISE AGREEMENT

BUSINESS LOCATION

The term “Business Location” shall mean Franchisee’s Business owned by Franchisee and located at:

«Business_Location»

Protected Territory: «Protected_Territory»

EXHIBIT B
TO FRANCHISE AGREEMENT

ROYALTY CATEGORY

The term “Royalty Category” shall mean: «Royalty_Category»

EXHIBIT C
TO FRANCHISE AGREEMENT

PERSONAL GUARANTY
AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the above Franchise Agreement (the "Agreement") between Byrider Franchising, LLC ("Company") and «Name of Franchisee», «Entity Type», dated «Month» «Day», «Year», the undersigned ("Guarantor") hereby unconditionally: (1) guarantees to Byrider Franchising, LLC, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that the franchisee named therein and any assignee of franchisee ("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be bound by, and liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including without limitation the non-competition, confidentiality, transfer, and arbitration requirements.

The undersigned waives:

- (1) acceptance and notice of acceptance by Company of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligation hereby guaranteed;
- (4) any right to require that an action be brought against Franchisee or any other person as a condition of liability; and
- (5) all rights to payments and claims for reimbursement or subrogation which Guarantor may have against Franchisee arising as a result of Guarantor's execution and performance under the Guaranty;
- (6) all other notices and legal or equitable defenses.

The undersigned consents and agrees that:

- (1) Guarantor's direct and immediate liability under this guaranty shall be joint and several;

(2) Guarantor shall render under this Guaranty any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;

(3) such liability shall not be contingent or conditioned upon pursuit by Company of any remedies against Franchisee or any other person; and

(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Company may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

This Guaranty shall become null and void upon the transfer of the Franchisee's Business (as defined in the Agreement) pursuant to the terms and conditions of the Agreement to a buyer approved by Company that has executed Company's then current form of franchise agreement, including the owner guaranty.

The provisions of Section 19.1 (Arbitration), Section 20.5 (Governing Law), Section 20.6 (Choice of Forum) and Section 20.12 (Attorneys' Fees) of the Agreement are incorporated into this agreement by reference and shall govern this guaranty and any dispute between the undersigned and Company.

IN WITNESS WHEREOF, the undersigned has hereunto executed this Guaranty on the same day and year as the Agreement was executed.

GUARANTOR

«Signatory», Individually

EXHIBIT D
TO FRANCHISE AGREEMENT

BYRIDER SOFTWARE SERVICES AND USER AGREEMENT

This Software Services and User Agreement (“Agreement”) is entered into as of the «Day» day of «Month», «Year», by and between BYRIDER FRANCHISING, LLC, having its principal place of business at 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (hereinafter “Licensor” or “Company”) and Franchisee, as identified in the Franchise Agreement between Byrider Franchising, LLC, and Franchisee dated «Month» «Day», «Year» (together with its agents and successors, collectively, hereinafter “Licensee”), and is made part of the Franchise Agreement. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement.

1. Licensed System. Licensor has developed certain computer software programs relating to “buy-here-pay-here” automobile sales and collection management systems, including programs which allow generation of specific retail installment sales and security contracts from input data and monitoring of receivables and collection productivity by Licensee, for use in the automobile sales business (hereinafter referred to as “Licensed Software”). The Licensed Software includes components owned and licensed directly by Licensor (“Licensor Software”) and components provided from third parties and sublicensed by Licensor (“Third Party Software”). Licensor has also developed documentation associated with these programs (including end-user manuals) to assist in utilization and understanding of that software (hereinafter referred to as “Licensed Documentation”). The server portion of the Licensed Software will be hosted by Licensor from Licensor’s data processing facilities (the portion of those facilities that host the Licensed Software is hereinafter referred to as the “Hosting Facility”). Licensor has developed infrastructure standards (“Infrastructure Standards”) (as that term is defined and described in Exhibit 1 to this Agreement) that permit approved access to the Licensed System. The Hosting Facility, the Licensed Software, the Infrastructure Standards and Licensed Documentation, together with any modifications, translations, updates, versions, enhancements or improvements to the software programs and/or documentation provided by Licensor to Licensee are hereinafter referred to as the “Licensed System.” Licensor agrees to provide Licensee with one (1) copy of the Licensed Documentation and all updates or revisions to the Licensed Documentation. Licensor agrees to provide Licensee access to the Licensed Software.

2. Services. In accordance with the terms and conditions of this Agreement, Licensor shall provide Licensee with usage, login, and access to self-management of security controls to the Licensed System (all of which constitute and form part of the Confidential Information) for the purpose of providing to Licensee data processing and other services related to the “buy-here-pay-here” automobile sales and collection management systems, particularly generation of specific retail installment sales and security contracts from input data and monitoring of receivables and collection productivity by Licensee (hereinafter referred to as “Services”). Licensor shall have the right to suspend or limit, in whole or in part, Licensee’s access to the Services upon ten (10) days written notice to Licensee if any amounts due Licensor are more than thirty (30) days past due or as otherwise provided in the Franchise Agreement.

3. License. Subject to all the terms and conditions of this Agreement and the Franchise Agreement, Licensor hereby grants to Licensee, and Licensee hereby accepts, a non-exclusive, indivisible, non-transferable license to access and use the Licensed System in a manner consistent with the terms of this Agreement. Such license is provided for the sole purpose of allowing Licensee access to the functions of the Licensed System necessary to obtain the Services for the sole use of Licensee's automobile sales business pursuant to and in accordance with the Franchise Agreement. It is the responsibility of the Licensee alone to ensure that the Licensed System fulfills the individual requirements and goals of the Licensee. This license extends only to use for Licensee's own internal automobile sales business purposes and not for any direct or indirect benefit of third parties. Licensee agrees to access the Licensed System only by means of the equipment and procedures substantially similar to those designated in **Appendix A** attached hereto and incorporated herein by reference. Licensee agrees to use the Licensed System solely for the purposes of business initiated and conducted at the location specified in **Appendix C**, and additional locations may not be added without Licensor's approval. Licensee shall not use or access the Licensed System in connection with the performance of data processing services or as a service bureau for any third person. Licensee further agrees that it shall not use the Licensed System in any manner that is contrary to any law or regulation of the United States or any state or country where Licensee is located. Licensee shall, at all times, use the Licensed System as directed by the Licensor from time to time. The components of the Licensed System may be changed from time to time at the Licensor's sole discretion.

4. Transmission of Data and Use of Services. Except as may be provided in this Agreement, Licensee shall be solely responsible for communications and transmission of any and all data and information of any kind between Licensee and the Licensed System (hereinafter "Customer Data"). Licensee assumes exclusive responsibility for the consequences of any instructions Licensee may give Licensor, for Licensee's failure to properly access the Licensed System in the manner prescribed by Licensor, and for Licensee's failure to supply accurate, timely, and/or complete input information. All network connectivity to and from the Licensed System is the responsibility of the Licensee and must be by means of secured network connections and controlled devices. Network configuration and access, anti-virus tools, firewalls, VPN tools, wireless access points, and possibly other means must be installed, maintained, and activated by the Licensee as directed by the Licensor. Licensee is responsible for choosing its network carrier, associated costs, and service levels. Licensor reserves the right to immediately suspend Licensee's network connectivity and use of the Licensed System if the Licensor believes in good faith that the Licensee poses a threat to the Licensed System or Licensor due to viruses, worms, hacking, or any other situation that presents reasonable dangers. Upon a showing that Licensee's use no longer poses such a threat, then Licensor shall reactivate Licensee's use of the Licensed System.

5. Undertakings of Licensor. In accordance with the terms of this Agreement, Licensor agrees to:

- a) Make its commercially reasonable efforts to maintain the Licensed System in operation twenty-four (24) hours a day, seven (7) days a week except for periods of scheduled maintenance;
- b) Use its commercially reasonable efforts to provide the Services in a manner that protects information transmitted by Licensor from unauthorized interception, modification, or replication; and

- c) Provide computer hardware and support for such hardware as detailed in this Agreement.

6. Retention of Title. Licensee agrees that all title, ownership, intellectual property rights, and similar rights, in and of the Licensed Software and Licensed Documentation and all copies in whole or in part thereof shall at all times remain with Licensor. Such intellectual property rights include, but are not limited to, patent, trademark, copyright, and/or trade secret rights. Licensee shall keep the Licensed Software and Licensed Documentation free and clear of all claims, liens, and encumbrances. Any act of Licensee purporting to create a claim, lien, or encumbrance on the Licensed Software and Licensed Documentation shall be void. Licensee further hereby acknowledges that the Licensed Software contains proprietary trade secrets and know-how, including the “look and feel” of the Licensed Software screen displays and the Licensed Software manner of operation. Licensee agrees to protect such proprietary information, trade secrets, and know how by complying with the confidentiality provisions of this Agreement.

7. Fees. Licensee shall pay to Licensor the amount specified in **Appendix B**, attached hereto and incorporated herein by reference, in accordance with the terms specified in **Appendix B**. The Initial Fee shall be paid within thirty (30) days of execution of this Agreement. The Conversion Fee shall be paid within thirty (30) days of the initial usage of the Licensed System. The Monthly Usage Fee shall be paid by the 15th of each month for the previous month’s usage. The Custom Support Fee shall be paid within thirty (30) days of invoicing. The Monthly Usage Fee and Custom Support Fee are subject to an increase or decrease at the discretion of the Licensor. An increase per fee shall not occur more than once per calendar year and is subject to at least ninety (90) days advance notice to the Licensee.

8. Term. This Agreement shall remain in full force and effect during the term of the Franchise Agreement and, unless sooner terminated as provided herein, shall expire or terminate concurrently with the expiration or termination of the Franchise Agreement.

9. Customer Data. Licensee shall remain the sole and exclusive owner of all its Customer Data and other confidential information of Licensee, regardless of whether such data is maintained on Licensor’s or Licensee’s technology systems, magnetic or other media, or any other storage or processing device. Licensor shall be permitted to view, and copy the Customer Data, and grant third party access to Customer Data at the discretion of Licensor for the purposes of analysis and maintaining the Licensed System. All such Customer Data and other confidential information of Licensee shall be subject to examination by the appropriate auditors to the same extent as if such information were on Licensee’s premises. Upon Licensee’s request, and at Licensee’s expense, Licensor shall provide promptly to Licensee copies of any and all Customer Data on media designated by Licensee. Also upon Licensee’s request, authorized personnel of Licensee shall be permitted access to the Licensor facilities utilized in providing the Services during normal business hours subject to any reasonable security procedures or other restrictions in effect at Licensor’s facilities. Notwithstanding the foregoing, Licensor may provide access to the Customer Data, without consent of Licensee, in compliance with the order or judgment of a court of competent jurisdiction. Licensor will process items and data and perform the services under this Agreement on the basis of information furnished by Licensee. Licensor shall be entitled to rely upon any such data, information, or instructions as provided by Licensee. If any error results from incorrect input supplied by Licensee, Licensee shall be solely responsible for discovering and reporting such error and supplying data necessary to correct such error to Licensor. In no event shall Licensor be liable for any direct or indirect damages of any type resulting from data furnished by

Licensee. Licensor may maintain backup Customer Data in perpetuity following the termination of this Agreement.

10. Anonymous Data. Licensee hereby grants an irrevocable non-exclusive license to Licensor and its agents, successors, and assigns to use, compile, distribute, market, sell and sublicense statistical analyses, information, data and reports utilizing data aggregated or obtained from Customer Data during the term of this Agreement (“Anonymous Data”). Licensor shall cause the Anonymous Data to be created in a manner which does not include information that personally identifies Licensee or any of its customers. Licensor’s use of Anonymous Data shall only be to the extent allowable by law. For example, Licensor shall be permitted to provide Licensee’s Customer Data to service bureaus and other parties who aggregate data for reporting and analysis purposes if the Licensor provides substantially similar Customer Data from the Franchisees of the Licensor for the same purpose. Examples of parties would include Experian, Equifax, Transunion, Carfax, and Lexis-Nexis.

11. Confidential Information. Licensee acknowledges that the Licensed Software and Licensed Documentation include proprietary information containing trade secrets and copyrighted materials. Licensee shall not make the Licensed Software or Licensed Documentation or any portion thereof available by assignment, sublicense, transfer, disclosure or any other means for copying or use by any person, firm, or corporation not a party to this Agreement other than its employees, agents and successors. Licensee acknowledges that any unauthorized disclosure to or use by third parties may cause immediate and irreparable harm and significant injury to Licensor that may be difficult to ascertain. Accordingly, Licensee agrees that Licensor will have the right to obtain immediate injunctive relief to enforce obligations under this Agreement, upon breach of such obligations or threat of such breach, in addition to any other remedies to which it may be entitled.

“Confidential Information” for purposes of this Agreement shall mean and include all information not in the public domain that relates to, is embodied in, or associated with Licensor, the Licensed System and the methods of operation and nature of the foregoing, including, but not limited to, all trade secrets, know-how, engineering documents, designs and procedures, manuals, software, program listings, data file printouts, screen displays, technical data, research, or third-party confidential information disclosed to Licensor; and including the nature and existence of any of the foregoing. Confidential Information includes oral, intangible, and/or recorded forms of disclosure as well as written or tangible forms of disclosure and shall specifically include all information that if, due to its character or nature, a reasonable person in a like position and under like circumstances as Licensee would treat as confidential. Confidential Information, however, does not include information that: 1) is now or subsequently becomes generally available to the public through no fault or breach on the part of Licensee; 2) Licensee can demonstrate to have had rightfully in its possession prior to disclosure to Licensee by Licensor; 3) is independently developed by Licensee without the use of any Confidential Information; or 4) Licensee rightfully obtains from a third party who has the right to transfer or disclose it.

Licensee will not disclose, publish, or disseminate Confidential Information to anyone other than (a) those of its employees and contractors with a demonstrable “need to know” who have a binding, written, confidentiality obligation to Licensee that protect such Confidential Information against disclosure, or (b) other employees and contractors working for Licensee that have entered into a Non-Disclosure Agreement with Licensor. Licensee shall not, and shall not attempt to, decompile, reverse engineer, disassemble, modify, network, rent, lease, or loan the Confidential Information without prior written authorization of Licensor.

Licensee shall not remove, overprint, or deface any notice of copyright, patent, trademark, logo, legend, or other notices of ownership from any originals or copies of Confidential Information. Licensee further agrees not to introduce any virus, worm, Trojan horse, bomb, sniffer, or other malicious computer code or process into the Licensed System. Licensee agrees and consents that the mingling of the Confidential Information with any information of Licensee will not affect the Confidential Information status of such information. Licensee further agrees to take reasonable precautions to prevent any unauthorized use, disclosure, publication, or dissemination of Confidential Information. Licensee shall immediately notify Licensor of any actual or suspected unauthorized disclosure or use of the Confidential Information that comes to Licensee's attention, and shall take all action that Licensor reasonably requests to prevent any further unauthorized use or disclosure thereof. Licensee shall not access nor attempt to gain access to data other than Licensee's own Customer Data.

Licensee shall continue to be bound by these non-disclosure provisions after termination of this Agreement until the expiration of Licensor's intellectual property rights and the public disclosure of Licensor's trade secrets (through no fault of Licensee) in the Licensed System. The license granted under this Agreement is expressly conditioned upon Licensee's continuous and complete compliance with the provisions of this Section 11.

12. Copying Prohibited. Licensee shall not make any copies of the Licensed Software in whole or part. Licensee shall not make any copies of the Licensed Documentation in whole or part [beyond the number of copies necessary for its use of the License System]. In no event shall Licensee make any copy of the Licensed Documentation available to any person other than one of its employees or agents who are bound to maintain that information in confidence and have been instructed not to make the copy available to any person other than an employee or agent of Licensee who is similarly bound.

13. Notice Marking. Licensee shall label all copies of the Licensed Documentation or separately identifiable portions thereof made by Licensee as follows:

© Byrider Franchising, LLC All rights reserved. Copies in whole or part may only be made by express written permission of the copyright owner.

Such copyright notices shall be prominently displayed so as to be readily noticed by anyone having access to copies of the Licensed System or any portions thereof. Licensee shall not remove, hide, or disable any of the Licensor's copyright notices on the Licensed System. Except as expressly provided in Section 3, no rights are granted under this Agreement either expressed or implied with respect to any copyrights.

14. Security and Disaster Recovery. Licensor agrees to take commercially reasonable efforts to store, or cause to be stored, in a secure location remote from Licensor, additional copies of all records and Customer Data and any Licensor resources required to provide the Services, and additional tapes or disks necessary to reproduce all such records and Customer Data, as well as source or object code of all software included in the Licensed System on a reasonable periodic basis. Licensee acknowledges that such backup information will not be entirely current. Licensor shall establish and maintain safeguards against the destruction, loss or damage to or alteration of Customer Data in its possession which are no less rigorous than those maintained by Licensor for its own data and software, and use reasonable care in accordance with standard commercial practices to minimize the likelihood of any damage to or loss of such Customer Data. Licensor further agrees to maintain a Disaster Recovery Plan. "Disaster" shall mean any unplanned interruption of operations that materially affect the ability

of Licensor to provide Services beyond a reasonable period of interrupted service. Such Plan shall include means for providing alternate electrical power to Licensor technology systems and for restoration of backed-up data. At all times, Licensee shall provide and maintain a secure network connection to the Licensed System. At all times, Licensee shall cause its personnel to access the Licensed System in a reasonably secure work environment to prevent any unauthorized use or access to the Licensed System.

15. Limited Warranty. Licensor warrants that the Licensor’s Software will substantially conform to Licensor’s current published documentation when delivered to Licensee. **The Third Party Software is not warranted by Licensor.** In the event that the Licensee provides Licensor with written documentation at any time during the term of the Franchise Agreement verifying that there is a non-conformity in the Licensed Software which significantly impairs a vital business function not caused by defects in Third Party Software or misuse by Licensee, and Licensee is in full compliance with the terms of this Agreement, then Licensor, at Licensor’s election, either 1) shall correct the non-conformity free of charge, or 2) shall provide an alternative procedure or “work around” whereby the non-conformity will not have a significant effect on the Licensee’s use of the Licensed Software. Should such non-conformities be due solely to defects in Third Party Software, Licensor shall have no liability to Licensee for such defect and Licensee’s sole remedy for such defect shall be from the Third Party. Licensee shall provide Licensor, at no charge, sufficient access to, support, and test time on Licensee’s equipment to identify the non-conformity, certify that the non-conformity results from error of the Licensed Software, and certify whether or not the non-conformity has been remedied. Licensee agrees to establish adequate back up plans, including for personnel to aid in non-conformity diagnosis by Licensor and to assist in the repair of defects by Licensor, in the event of non-conformities, errors, defects or other malfunctions in the Licensed Software. Licensee shall also implement sufficient procedures to satisfy its own requirements for security and accuracy of input and output. Licensor does not guarantee any retroactive compatibility between new versions, releases, fixes, enhancements, or other modifications to the Licensed System.

THE FOREGOING WARRANTY IS NULL AND VOID IF THE ALLEGED NON-CONFORMITIES ARE PROXIMATELY CAUSED BY ANY OF THE FOLLOWING:

- A. ANY UNAUTHORIZED MODIFICATION OR USE OF THE LICENSED SYSTEM BY LICENSEE,
- B. LICENSEE’S FAILURE TO PERFORM A REQUIRED DUTY OR DUTIES, OR
- C. LICENSEE PERFORMING A REQUIRED DUTY IN AN IMPROPER MANNER.

16. Licensed System Maintenance and Support.

a. Licensor may make corrections, updates, and modifications of the Licensed System (“enhancements”) from time to time. Licensor shall make the enhancements to the Licensed System available to Licensee without additional charge except for any enhancements which constitute Third Party Software, or changes to Infrastructure Standards. Licensor will provide Licensee any enhancements which constitute Third Party Software or changes to Infrastructure Standards, and shall be permitted to pass through a charge to Licensee equal to Licensee’s pro rata portion of an amount equal to Licensor’s cost therefor,

provided that such changes to the Infrastructure Standards were reviewed by the Dealer Board and are used by all users of the Licensed System. Further, Licensor may or may not, at its option, repair or replace any verifiable non-conformities in the Licensed Software programs such that these programs conform to the documentation of the Licensed System and provide those repairs or replacements to Licensee without additional charge. Also, Licensor will provide consultation by telephone to assist Licensee to resolve difficulties of Licensee related to the use of the Licensed Software. The maintenance services contemplated by this paragraph will be provided generally from 9 a.m. to 5 p.m., Eastern Daylight Time, Monday through Friday, excluding holidays.

b. Licensee shall designate an appropriate and knowledgeable person to serve as Licensee's liaison with Licensor and through whom all contacts and questions shall be presented to Licensor. Licensor shall not be obligated to provide information or answer inquiries from Licensee except through this liaison person.

c. If Licensee requests on-site assistance from Licensor, and Licensor agrees that such on-site assistance is reasonably necessary, Licensee will additionally pay Licensor's travel, the then current Custom Support Fee charged by Licensor, and other related business expenses actually incurred in the performance of such services. These expenses will be invoiced separately other fees, and payment shall be due in full from Licensee within thirty (30) days of the date of invoice.

d. In the event that Licensee or any third party makes any unauthorized changes, modifications, enhancements, or improvements to the Licensed System, Licensor shall be relieved of its obligations to provide services under this Agreement for any portions of the Licensed System that have been effected, directly or indirectly, by such changes, modifications, enhancements, or improvements. Such unauthorized alterations in the Licensed System and/or Licensee's default of any of its obligations under this Agreement shall be grounds for termination by Licensor of this Agreement for cause according to the provisions of Section 24 of the Agreement.

e. If Licensee requests assistance from Licensor, and Licensor in its sole judgment determines the assistance is beyond reasonable and customary assistance provided under this Agreement, the Licensor will advise the Licensee that the then current Custom Support Fee will apply. The Licensor will provide the assistance only after the Licensee agrees in writing to the Licensor to pay for such services. These expenses will be invoiced separately from other fees, and payment shall be due in full from Licensee within thirty (30) days of the date of invoice.

17. Disclaimer of Warranties. THE LIMITED WARRANTY IN SECTION 15 IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. LICENSOR SHALL NOT BE LIABLE FOR ANY INCIDENTAL AND/OR CONSEQUENTIAL DAMAGES TO LICENSEE OR ANY THIRD PARTY OCCURRING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF THE LICENSED SYSTEM OR ITS SERVICES UNDER THIS AGREEMENT, EVEN IF LICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH INCIDENTAL AND/OR CONSEQUENTIAL DAMAGES. FURTHER, LICENSOR SHALL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES OF ANY TYPE OF NATURE, EXCEPT AS PROVIDED IN SECTIONS 20 AND 21 BELOW. LICENSOR MAKES NO REPRESENTATIONS OR WARRANTIES THAT THE SERVICES SHALL

BE UNINTERRUPTED. LICENSOR SHALL NOT BE RESPONSIBLE FOR ANY LOSS OF PROFITS, ANY INDIRECT OR CONSEQUENTIAL DAMAGES RESULTING FROM DAMAGE TO DATA, OR DAMAGES DUE TO HACKING OR AN EMPLOYEE OF LICENSEE DAMAGING DATA/SYSTEM, OR ANY DAMAGES DUE TO OPERATION OF THE THIRD PARTY SOFTWARE, EVEN IF LICENSOR HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

18. Retail Installment Sales and Security Contracts. LICENSOR MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE VALIDITY, ACCURACY, APPROPRIATENESS, USEFULNESS OR OTHER ASPECTS OR CHARACTERISTICS OF ANY RETAIL INSTALLMENT SALES AND SECURITY CONTRACT CREATED BY LICENSEE USING THE LICENSED SYSTEM.

19. Limited Remedies.

a. Except as provided in this paragraph, Licensee's sole remedy for a breach of the warranty of the Licensed System provided in Section 15 is limited to the remedy provided in that Section. If, thirty (30) days after the giving of the required notice described in Section 15, the non-conformity of the Licensor Software remains uncured and Licensor has not provided an alternative procedure, then Customer may terminate this Agreement by written notice given within ten (10) days after the end of the cure period. Notwithstanding any other provision of this Agreement to the contrary, if Licensee terminates the Franchise Agreement upon final determination by a court of the Licensor's breach of the Franchise Agreement or this Agreement, (a) Licensor shall hold implementation of the provisions of Sections 17.1.D.E.F.G.H and 17.2 of the Franchise Agreement in abeyance for such reasonable period as is necessary, not to exceed ninety (90) days, for Licensee to implement a transition of its business to new systems, new signage etc. all without charge therefor and the restrictions of Section 18.1 and 18.2 of the Franchise Agreement shall be inapplicable and (b) Licensor shall promptly make available to Licensee (upon such media and in such form or format as reasonably determined by Licensor) any and all information needed to permit Licensee (or its assignee) to collect its receivables and otherwise engage in an orderly transfer, transition or wind down of Licensee's business. Upon the Licensee returning the Licensed System to Licensor under the terms stated in Section 25 of this Agreement, Licensor shall return all fees covered by **Appendix B** and actually paid by the Licensee to Licensor and Licensor shall have no further obligations to Licensee.

b. Licensee's sole remedy for any failures of Licensor under Section 16 is, thirty (30) days after detailed written notice of the breach has been provided to Licensor and the breach remains uncured, to terminate this Agreement by written notice given within ten (10) days after the end of the cure period and have returned to it the fees actually paid by the Licensee to Licensor for the sixty (60) days preceding the date of termination.

c. The obligations of Licensor under this paragraph are the Licensee's sole remedy for any violation of Licensor's obligations under Sections 5 and 14. To the extent that any Customer Data must be corrected, recreated, restored or reprocessed due to any fault or negligence of Licensor, its employees or agents, or due to operation of Licensor Software, or due to a breach by Licensor of any of its warranties hereunder, Licensor will be responsible for the cost of taking commercially reasonable efforts to correct, recreate, restore or reprocess the data at no cost to Licensee. Both parties agree to fully cooperate with one another to effectuate the prompt correction, recreation, restoration or reprocessing of any Customer Data.

d. EXCEPT AS EXPRESSLY PROVIDED IN SECTION 21, LICENSOR AND ITS THIRD PARTY LICENSORS SHALL NOT BE RESPONSIBLE FOR ANY CLAIMS AGAINST LICENSEE BY ANY OTHER PARTY NOR, EXCEPT AS EXPRESSLY PROVIDED IN THIS SECTION, SHALL LICENSOR OR ITS THIRD PARTY LICENSORS BE LIABLE FOR ANY LOSS OF PROFITS, INTERRUPTION OF BUSINESS, NON-AVAILABILITY OF THE LICENSED SYSTEM OR THE SERVICES UNDER THIS AGREEMENT, LOSS OF DATA, OUT-OF-POCKET EXPENSES OR ANY OTHER DIRECT, INDIRECT, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES, HOWEVER CAUSED, WHETHER BASED ON CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, WARRANTY, STATUTORY RIGHTS OR ANY OTHER BASIS ARISING OUT OF LICENSEE'S USE OF THE LICENSED SYSTEM, THE MARKETING, DELIVERY OR SUPPORTING THEREOF, OR OTHERWISE ARISING PURSUANT TO THIS AGREEMENT.

20. Limitation of Liability. LICENSOR'S AGGREGATE LIABILITY TO LICENSEE FOR ANY CAUSE WHATSOEVER IS LIMITED TO AN AMOUNT EQUAL TO THE FEES COVERED BY **APPENDIX B** AND ACTUALLY PAID BY LICENSEE FOR USE OF THE LICENSED SYSTEM DURING THE THEN MOST RECENT 12 MONTH PERIOD OF TIME PRECEDING THE DATE OF THE EVENT (OR, IF MORE THAN ONE EVENT, THE FIRST EVENT) GIVING RISE TO THE LIABILITY.

21. Intellectual Property Indemnification. Licensor, at its own expense, shall defend any and all claims, actions and causes of actions brought against Licensee to the extent that it is based on a claim that the Licensed System infringes a patent, copyright, or intellectual or industrial property right of any person, firm, or corporation not a party to this Agreement, provided that (a) Licensee promptly notifies Licensor of any potential or threatened claims and the commencement of any such legal action, (b) Licensee has not by any act of commission or omission prejudiced Licensor's ability to successfully defend such litigation, and (c) Licensor shall have exclusive control of the defense to such legal action and of all negotiations for settlement or compromise. If these conditions are met, Licensor shall indemnify and hold Licensee harmless with respect to all costs and damages actually awarded against Licensee arising out of such legal action, subject to the limitations of Section 20. In the event that the Licensed System becomes, or in Licensor's opinion is likely to become, the subject of a claim of infringement of a patent, copyright, or other intellectual or industrial property right of any person, firm or corporation not a party to this Agreement, Licensor may, at its option, either secure Licensee's right to continue using the Licensed System, replace or modify the Licensed System so as to make it non-infringing without materially impairing the Licensed System's utility, or, if neither of these alternatives is reasonably available to Licensor, terminate this Agreement upon one (1) month's written notice. In the event that Licensor elects to so terminate this Agreement to avoid infringement within twelve (12) months of delivery of the Licensed system to Licensee, then Licensor shall refund to Licensee the price paid for usage, login, and security rights to the software under this Agreement according to the percentage of days within that twelve (12) month period that Licensee did not have access to the Licensed System. If, however, Licensee notifies Licensor in writing during the one (1) month after Licensor's notice of termination under this Section that Licensee elects to continue to be licensed with respect to the Licensed System, then Licensee shall undertake, at Licensee's expense, the defense of any such legal action against Licensee and/or Licensor arising from Licensee's use of the Licensed System and shall indemnify and hold Licensor harmless with respect to all costs, damages, and attorney fees actually incurred and attributable to such continued use or further defense of said legal action after such notice is given to Licensor. Licensor shall have no liability to Licensee

if the alleged infringement is based upon a use other than of a current, unaltered version of the Licensed System available from Licensor or upon a use or combination of the Licensed System with programs or data not supplied by Licensor. The foregoing states the entire liability of Licensor with respect to infringement.

22. Licensee's Indemnification. The Licensed System permits the Licensee to create its own retail installment sales and security contracts for which Licensee is solely responsible. Licensee is solely responsible for its use, preparation and transmission of Customer Data and the accuracy of Customer Data, or any other aspect, including, for example, Annual Percentage Rate Calculations, of any retail installment sales and security contract created by Licensee through its use of the Licensed System. Licensee shall indemnify and hold Licensor harmless against claim, action, or cause of action which arises from the use of the Licensed System by Licensee under this Agreement including, but not limited to, attorneys fees actually incurred, costs, expenses, damages, judgments, awards, and penalties, provided that the same does not arise solely from Licensor's negligence or willful misconduct. Further, Licensee shall be liable to Licensor and any affected franchisee of Licensor for any damages, direct or consequential, caused by any use of the Licensed System by Licensee that has not been approved by Licensor in writing. Further, Licensee shall be liable to Licensor and any affected franchisee of Licensor for any damages, direct or consequential, caused by a third party's activities which result from Licensee's use of the Licensed System in any manner which has not been approved by Licensor in writing.

23. Injunction. If Licensee attempts to use, copy, license or convey the Licensed System or any portion thereof or any copies thereof in a manner contrary to the terms of this Agreement, Licensor shall have, in addition to any other remedy, the right to injunctive relief. Licensee hereby acknowledges that other remedies are inadequate.

24. Termination. This Agreement shall automatically and without notice expire or terminate concurrently with the expiration or termination of the Franchise Agreement. In addition, if, at any time, Licensee defaults in the performance of any of its obligations under this Agreement and such default is not corrected within ten (10) days after Licensor has given Licensee written notice specifying such default, in addition to any other remedies that it may have, Licensor shall have the right to terminate this Agreement for cause by giving written notice of termination to Licensee, and this Software License Agreement shall then immediately terminate. Termination shall not relieve either party of its pre-existing obligations under this Agreement. Upon initiation of any bankruptcy or receivership proceedings by or against Licensee, or upon execution of a deed of trust or assignment for the benefit of creditors or any other transfer or assignment of a similar nature by Licensee, Licensor reserves the right to terminate this Agreement immediately or at any time thereafter.

Except as provided in Section 19(a) above, upon termination of this Agreement, Licensor shall not have any obligation to refund any fees paid to it by Licensee for use of the Licensed System.

Licensee further acknowledges and agrees that Licensor may terminate this Agreement or suspend Licensee's access to and use of the Licensed Software and Licensed Documentation under and as described in Section 17.2 of the Franchise Agreement.

25. Return of the Licensed System. Immediately upon termination of the Agreement, Licensee shall cease all use, and make no further use, in whole or part, of the Licensed System and shall return the Licensed System and all copies thereof, including any

partial copies, to Licensor. With this return of the Licensed System, Licensee shall certify in writing that the original and all copies in whole and part and in any form of the Licensed System have been delivered to Licensor.

26. Infringement. Licensee shall promptly notify Licensor in writing of potential or threatened infringement of Licensor's proprietary rights in the Licensed System by any person, firm, or corporation not a party to this Agreement of which Licensee becomes aware during the term of this Agreement.

27. Shipment. All risk of loss or damage to the Licensed System after it is received by Licensee shall be borne by Licensee. Licensee shall pay the shipping and handling charges for delivery of the Licensed System or any hardware procured by Licensor for Licensee under this Agreement.

28. Program Services. Nothing in this Agreement shall be construed to imply that Licensor has any additional obligation to furnish any additional services or material other than those specifically indicated herein.

Licensee agrees that Licensor shall own and have the right to make, use, sell or license to others the Licensed System and any improvements to the Licensed System or any new Licensed System developed by Licensor as a result of any program services to Licensee under this or any other agreement with Licensor relating to the Licensed System.

29. Hardware Purchase and Warranty Disclaimer. Solely as an accommodation to Licensee, Licensor agrees to obtain on Licensee's behalf the computer hardware and equipment specified in **Appendix A** hereto and to provide that hardware and equipment to Licensee at Licensee's cost set forth in **Appendix B** for Licensee's use with the Licensed System. Licensee acknowledges Licensor does not manufacture any of that hardware and equipment. LICENSOR PROVIDES NO WARRANTY WHATSOEVER FOR ANY HARDWARE OR EQUIPMENT PROVIDED TO LICENSEE. THAT HARDWARE AND EQUIPMENT IS PROVIDED BY LICENSOR STRICTLY AS IS. The original manufacturer of that hardware and equipment may, however, provide warranties that may be passed through or otherwise available to Licensee. If so, Licensor will assist Licensee in obtaining any such warranties for Licensee's benefit and use. Licensee shall not, however, hold Licensor responsible in any way for any defects or damage in the hardware or equipment not caused solely by Licensor's intentional misconduct.

30. Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered at the time delivered by hand, one (1) business day after sending by telecopy or comparable electronic system or via overnight courier or two (2) business days after placed in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party's principal offices first above written or at its most current principal business address of which the notifying party has been notified.

31. Assignment and Sublicense. This Agreement and any of Licensee's rights with respect to use of the Licensed System is personal in nature and may not be assigned, sublicensed, used to provide business services at any location other than designated in **Appendix C** of this Agreement, or otherwise transferred by Licensee without prior written consent from Licensor.

32. Benefit. This Agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors in the interest and permissible assigns of the parties to this Agreement.

33. Taxes. Licensee shall pay all sales, property, excise, use and other federal, state or local taxes and charges hereinafter due and payable by reason of this Agreement of the Licensed System or its use or possession of the same by Licensee. If a certificate of exemption or similar document is to be used in order to exempt Licensee from such liability, Licensee shall furnish a copy of such certificate or document to Licensor upon request.

34. Severability. If any portion of this Agreement is found to be invalid or unenforceable, such portion of the Agreement shall be narrowed to the extent necessary to make it valid and enforceable. If any portion of this Agreement cannot be so narrowed, the remaining portions of this Agreement shall remain in full force and effect and shall continue to be binding upon the parties.

35. Waiver. Failure of either party to this Agreement to exercise any of its rights under this Software License Agreement in a particular instance shall not be construed as a waiver of those rights or any other rights under this Agreement for any purpose.

36. Resolution of Disputes. The parties agree that all controversies, disputes or claims arising out of or related to this Agreement, the relationship between Licensor and Licensee and the validity of this Agreement must be submitted for binding arbitration in accordance with Section 19.1 of the Franchise Agreement, the provisions of which are incorporated and adopted herein, in their entirety, as though copied *in extenso*.

37. Adoption and Incorporation of Certain Provisions of the Franchise Agreement. The parties hereby agree that the following provisions which are set forth in the Franchise Agreement shall have equal applicability to and under this Agreement, to-wit: Section 20.5 (Governing Law), Section 20.6 (Choice of Forum), Section 20.7 (Jury Trial Waiver), Section 20.8 (Punitive Damage Waiver), Section 20.9 (Limitation of Actions), Section 20.12 (Attorneys' Fees), and Section 20.18 (Compliance with Anti-Terrorism Laws). Each of the foregoing provisions are copied herein and adopted by the parties to this Agreement in their entirety.

38. Delay. Licensor shall not be deemed to be in default of any provision of this Agreement or for failures in performance under this Agreement resulting from acts or events beyond the reasonable control of Licensor, including, but not limited to, delays in transportation, storms, extreme weather conditions, fire, explosion, flood, strike, riot, war, mobilization, civil unrest, import or export circumstances, failure or unavailability of communications, power or telephone lines, supplies or service, delay in delivery, failure or malfunction of equipment or of software not directly supplied and supported by Licensor, or other similar catastrophes, or other acts of God.

39. Export Control. Software, including technical data, is subject to U.S. export control laws, including the U.S. Export Administration Act and its associated regulations, and may be subject to export or import regulations in other countries. Specifically, the Licensed Software may not be exported or re-exported (a) into any U.S. embargoed countries or (b) to anyone on the U.S. Treasury Department's list of Specially Designated Nationals or the U.S. Department of Commerce Denied Person's List or Entity List. The

Franchisee may not use the Licensed Software in violation of this Agreement or in violation of United States law, including laws which prohibit, without limitation, the development, design, manufacture or production of nuclear, missiles, or chemical or biological weapons.

40. Terms and Conditions Regarding Use of Microsoft Software. Licensor is providing certain Microsoft software products to Licensee as a service by Licensor. These products include computer software and may include associated media, printed materials, and “online” or electronic documentation. The license terms for the Microsoft software products is set forth in the Customer License Terms attached as **Appendix D**, which is incorporated herein by this reference.

41. Amendment. No one has authority to amend this Agreement on behalf of Licensor except an officer of Licensor in writing.

BYRIDER FRANCHISING, LLC
 (“Licensor”)

«Name_of_Franchisee», «Entity_Type»
 (“Licensee”)

Signature: _____
 Craig S. Peters, President

Signature: _____
 «Signatory»«Signatory_Title»

Date: «Month» «Day», «Year»

Date: «Month» «Day», «Year»

EXHIBIT 1

INFRASTRUCTURE STANDARDS

Infrastructure Standards are designed to include hardware, software, or networking changes that create major benefits for the franchise. In some instances, these changes from the existing standards may be considerable, and therefore, possibly costly in monetary and/or other resources for the franchise system. Infrastructure Standards require that the standard be adopted by everyone within the franchise system without exception.

Some past examples of major Infrastructure Standard changes include the centralization of servers to the corporate facility, the change from frame-relay networking to Internet based connections, and the requirement for franchisees to implement a standardized Cisco firewall environment.

No current changes to Infrastructure Standards are being considered or anticipated, but a few theoretical examples can be discussed for illustrative purposes. The wide range of reasons and needs that would involve a change to Infrastructure Standards precludes any chance to define a range of costs that may be involved.

Example 1: If the Internet were to become unstable or insecure for business processes in some way, it would be necessary to consider a different network topology. This drastic change would require franchisees and corporate to acquire new network services, and probably invest in new networking technology. Requiring this change would be an Infrastructure Standard.

Example 2: If a fundamental software component from a vendor had a significant cost increase and no reasonable alternative existed to avoid the cost, this would be considered a change to an Infrastructure Standard.

Example 3: A legal requirement develops where compliance requires new software or hardware expense. The implementation costs may be considered changes to Infrastructure Standards.

Example 4: The danger of viruses and other malware reaches a point where the current suggestion that all PC's have active antivirus software installed, needs to become an absolute requirement. This change would be an Infrastructure Standard change.

APPENDIX A

Licensee Technology System Requirements Per Location

Example as of January 2021:

Your requirements and specifics may vary. Quantity and exact model types will be determined on a case-by-case basis. Typical items and quantities are stated below. All prices are approximate and subject to change. All costs are U.S. dollars.

Required Items	Quantity	Approximate Cost
Business-class Internet connection (25 Mbps minimum)	1 or 2	Varies by service and location
Google Access and Services *	Per active user	\$108.00 annually
Remote VPN Software	Each user	\$350 per location

*This item is billed each month (\$9.00) and is a required maintenance fee.

APPENDIX B

License Fees

Initial Fee: [to be determined]

Data Conversion Fee: [to be determined]

Monthly Usage Fee: \$0.00

Custom Support Fee: \$0.00

Recurring Fees:

Costs are representative as of January 2021.

Retail Installment Contract Usage: \$3.95 per form, billed quarterly in advance based upon expected usage.

Finance By Phone: \$2.95 per Lead.

GoJDB: \$2.30 per Lead.

Privacy Notices sent annually to customers (optional): \$0.99 - \$1.35 per customer letter.

Credit/Debit Card per transaction fee of \$0.27 - \$0.38.

Moneygram per transaction fee of \$1.00.

Notice of Incompleteness: \$1.00 - \$1.35 per consumer letter, billed quarterly.

Maintenance Fee to Third Party Vendors: [to be determined]

APPENDIX C

Licensed Location

Street Address:	«C_Street»
City:	«C_City»
County:	«C_County»
State/Province:	«C_State»
Country:	«C_Country»

APPENDIX D

END USER LICENSE TERMS

TERMS AND CONDITIONS REGARDING USE OF MICROSOFT SOFTWARE

This document governs the use of Microsoft software, which may include associated software, media, printed materials, and “online” or electronic documentation (individually and collectively, “Products”) provided by Byrider Franchising, LLC (hereinafter referred to as “Customer”). Customer does not own the Products and the use thereof is subject to certain rights and limitations of which Customer must inform you. Your right to use the Products is subject to the terms of your agreement with Customer, and to your understanding of, compliance with, and consent to the following terms and conditions, which Customer does not have authority to vary, alter, or amend.

1. DEFINITIONS.

“Client Software” means software that is installed on a Device that allows the Device to access or utilize the Products.

“Device” means each of a computer, workstation, terminal, handheld PC, pager, telephone, personal digital assistant, “smart phone,” server or other electronic device.

“End User” means an individual or legal entity that obtains Software Services directly from Customer, or indirectly through a Software Services Reseller.

“Redistribution Software” means the software described in Paragraph 4 (“Use of Redistribution Software”) below.

“Software Services” means services that Customer provides to you that make available, display, run, access, or otherwise interact, directly or indirectly, with the Products. Customer must provide these services from data center(s) through the Internet, a telephone network or a private network, on a rental, subscription or services basis, whether or not Customer receives a fee. Software Services exclude any services involving installation of a Product directly on any End User device to permit an End User to interact with the Product.

2. **OWNERSHIP OF PRODUCTS.** The Products are licensed to Customer from an affiliate of the Microsoft Corporation (collectively “Microsoft”). Microsoft Products are protected by copyright and other intellectual property rights. Products and other Product elements including but not limited to any images, photographs, animations, video, audio, music, text and “applets” incorporated into the Products are owned by Microsoft or its suppliers. You may not remove, modify or obscure any copyright trademark or other proprietary rights notices that are contained in or on the Products. The Products are protected by copyright laws and international copyright treaties, as well as other intellectual property laws and treaties. Your possession, access, or use of the Products does not transfer any ownership of the Products or any intellectual property rights to you.

3. **USE OF CLIENT SOFTWARE.** You may use the Client Software installed on your Devices only in accordance with your agreement with Customer and the terms under this document, and only in connection with the Software Services, provided to you by Customer. The terms of this document permanently and irrevocably supersede the terms of any Microsoft End User License Agreement that may be presented in electronic form during the installation and/or use of the Client Software.

4. **USE OF REDISTRIBUTION SOFTWARE.** In connection with the Software Services provided to you by Customer, you may have access to certain “sample,” “redistributable” and/or software development (“SDK”) software code and tools (individually and collectively “Redistribution Software”). **YOU MAY NOT USE, MODIFY, COPY, INSTALL AND/OR DISTRIBUTE ANY CLIENT SOFTWARE AND/OR REDISTRIBUTION SOFTWARE.** Microsoft does not permit you to use any Redistribution Software unless you expressly agree to and comply with such additional terms, as provided to you by Customer.

5. **COPIES.** You may not make any copies of the Products; provided, however, that you may (a) make one copy of Client Software on your Device as expressly authorized by Customer; and (b) you may make copies of certain Redistribution Software in accordance with Paragraph 4 (Use of Redistribution Software). You must erase or destroy all such Client Software and/or Redistribution Software upon termination or cancellation of your agreement with Customer, upon notice from Customer or upon transfer of your Device to another person or entity, whichever occurs first. You may not copy any printed materials accompanying the Products.
6. **LIMITATIONS ON REVERSE ENGINEERING, DECOMPILED AND DISASSEMBLY.** You may not reverse engineer, decompile, or disassemble the Products, except and only to the extent that applicable law, notwithstanding this limitation, expressly permits such activity.
7. **NO RENTAL.** You may not rent, lease, lend, pledge, or directly or indirectly transfer or distribute the Products to any third party, and may not permit any third party to have access to and/or use the functionality of the Products except for the sole purpose of accessing the functionality of the Products in the form of Software Services in accordance with the terms of this agreement and any agreement between you and Customer.
8. **TERMINATION.** Without prejudice to any other rights, Customer may terminate your rights to use the Products if you fail to comply with these terms and conditions. In the event of termination or cancellation of your agreement with Customer or Customer's agreement with Microsoft under which the Products are licensed, you must stop using and/or accessing the Products, and destroy all copies of the Products and all of their component parts within thirty (30) days of the termination of your agreement with Customer.
9. **NO WARRANTIES, LIABILITIES OR REMEDIES BY MICROSOFT.** Microsoft disclaims, to the extent permitted by applicable law, all warranties and liability for damages by Microsoft or its suppliers for any damages and remedies whether direct, indirect or consequential, arising from the Software Services. Any warranties and liabilities are provided solely by Customer and not by Microsoft, its affiliates or subsidiaries.
10. **PRODUCT SUPPORT.** Any support for the Software Services is provided to you by Customer or a third party on Customer's behalf and is not provided by Microsoft, its suppliers, affiliates or subsidiaries.
11. **NOT FAULT TOLERANT.** The Products are not fault-tolerant and are not guaranteed to be error free or to operate uninterrupted. You must not use the Products in any application or situation where the Product(s) failure could lead to death or serious bodily injury of any person, or to severe physical or environmental damage ("High Risk Use").
12. **EXPORT RESTRICTIONS.** The Products are subject to U.S. export jurisdiction. Customer must comply with all applicable laws including the U.S. Export Administration Regulations, the International Traffic in Arms Regulations, as well as end-user, end-use and destination restrictions issued by U.S. and other governments. For additional information, see <http://www.microsoft.com/exporting/>.
13. **LIABILITY FOR BREACH.** In addition to any liability you may have to Customer, you agree that you will also be legally responsible directly to Microsoft for any breach of these terms and conditions.
14. **INFORMATION DISCLOSURE.** You must permit Customer to disclose any information requested by Microsoft under the Customer's Agreement. Microsoft will be an intended third party beneficiary of your agreement with Customer, with the right to enforce provisions of your agreement with Customer and to verify your compliance.

EXHIBIT E
TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

DISCLOSURE ACKNOWLEDGMENT STATEMENT

BYRIDER FRANCHISING, LLC (“Franchisor”), through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights (“Franchisee”), fully understands and comprehends that the purchase of a BYRIDER sales finance franchise is a business decision, complete with its associated risks, and (b) that Franchisee is not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by the Franchisor. In that regard, the undersigned acknowledges that:

1. The Franchisee recognizes and understands that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including, among other things, the skills and abilities of the Franchisee, the hours worked by the Franchisee, competition, interest rates, the economy, inflation, business location, operation costs, lease terms and costs and the market place. The Franchisee hereby acknowledges its awareness of and willingness to undertake these business risks.

2. The Franchisee acknowledges receipt of the Franchisor’s Franchise Disclosure Document and Exhibits (collectively, the “FDD”). The Franchisee acknowledges that it has had the opportunity to personally and carefully review these documents. Furthermore, the Franchisee has been advised to seek professional assistance, to have professionals review the documents and to consult with other franchisees regarding the risks associated with the purchase of the franchise.

3. The Franchisee agrees and states that the decision to enter into this business risk is in no manner predicated upon any oral representations, assurances, warranties, guarantees or promises made by the Franchisor or any of its officers, employees or agents (including any franchise broker) as to the likelihood of success of the franchise. Except as contained in the Franchisor’s FDD, the Franchisee acknowledges that it has not received any information from the Franchisor or any of its officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted franchise sales, profits or earnings. If the Franchisee believes that it has received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the FDD, please describe these in the space provided below or write “None.”

The Franchisee further acknowledges that the President of the United States of America has issued Executive Order 13224 (the “Executive Order”) prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the “Anti-Terrorism Measures”). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly or indirectly involved in terrorism. For that reason, the Franchisee hereby certifies that neither it nor any of its employees, agents, or representatives, nor any other person or entity associated with the Franchisee, is:

- i. a person or entity listed in the Annex to the Executive Order;
- ii. a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- iii. a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- iv. owned or controlled by terrorists or sponsors of terrorism.

The Franchisee further covenants that neither it nor any of its employees, agents, or representatives, nor any other person or entity associated with the Franchisee, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this «Day» day of «Month», «Year».

FRANCHISEE:

Sign here if you are taking the franchise as an
INDIVIDUAL(S)

Signature

Print Name: «Signatory» _____

Signature

Print Name: _____

Sign here if you are taking the franchise as a
**CORPORATION or LIMITED LIABILITY
COMPANY**

Print Name of Legal Entity

By: _____
Signature

Print Name: _____
Title: _____

EXHIBIT F

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

REQUIRED LEASE ADDENDUM

TO LEASE AGREEMENT DATED _____
BY AND BETWEEN

_____, AS "LANDLORD"
AND

_____, AS "TENANT" FOR THE DEMISED
PREMISES ("PREMISES") DESCRIBED THEREIN

This Rider and the provisions hereof are hereby incorporated into the body of the lease to which this Rider is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Rider and the provisions of the Lease, this Rider shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a Byrider business at the Premises, and that Tenant's rights to operate a Byrider business and to use the Byrider® name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Byrider Franchising, LLC ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's succeeding to Tenant's interest in the Lease as a result of Franchisor's exercise of rights remedies under such collateral assignment or as a result of Franchisor's termination of the Franchise Agreement due to Franchisee's breach or termination of the Franchise Agreement by Franchisee without cause, or Franchisor's exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Use of Premises. Without limitation of uses permitted under the Lease, but in expansion thereof, Tenant shall have the right to use the Premises for purposes of operating a business offering used vehicles and, in connection therewith, financing services, under the Byrider name and marks.

3. Compliance of Premises With Applicable Law; Parking. Landlord represents and warrants that as of the date hereof the Premises are in compliance with all applicable law, including without limitation parking sufficient to comply with the use of the Premises as provided in paragraph 2 above. Tenant shall have the right to use parking spaces for its guests, invitees and employees in an amount at least sufficient to comply with applicable zoning and other laws. The use of the parking spaces is provided by Landlord to Tenant without additional charge.

4. Radius/Relocation. Any radius restrictions or relocation provisions found in the Lease are hereby deleted and of no further force or effect.

5. Tenant's Signage. Notwithstanding anything in the Lease contained to the contrary or in conflict, Landlord hereby grants and approves the following signage rights:

5.1. Landlord agrees to allow Tenant to use Franchisor's standard sign and awning package to the maximum extent permitted by local governmental authorities.

5.2. Tenant shall be provided, at Tenant's sole cost and expense, with a panel on any pylon/monument/directory sign for the development in which the Premises is located, and shall be permitted to install a standard sign thereon as approved by Franchisor, including without limitation Franchisor's logo.

6. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) 30 days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

Byrider Franchising, LLC
Attention: Legal Department
12802 Hamilton Crossing Blvd.
Carmel, Indiana 46032

7. Non-disturbance from Mortgage Lenders. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to paragraph 6 immediately above).

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED

A) Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

B) A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor.

8. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Rider, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

9. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the assets). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's business as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing the Byrider name or trademarks, service marks or other commercial symbols of Franchisor.

10. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

11. Copy of Lease. Landlord agrees to provide Franchisor with a copy of the fully-executed Lease within ten (10) days of its full execution by Landlord and Tenant to the address shown in paragraph 6 above.

12. Counterparts. This Rider may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Rider shall constitute originals of the same.

13. Compliance with Lease Obligations. Nothing in this Addendum shall nullify Tenant's obligation to pay timely rent and comply with all other terms and conditions of the lease.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

TENANT: _____

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT G

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

AFFILIATED ENTITY JOINDER

_____ (“Affiliate”), an affiliate of «Name of Franchisee», «Entity Type» (“Franchisee”), acknowledges and agrees that it is the owner of the real estate located at _____ (“Business Location”) and that it has leased the Business Location to Franchisee for the operation of a Byrider business pursuant to that certain Franchise Agreement dated «Month» «Day», «Year» by and between Byrider Franchising, LLC (“Franchisor”) and Franchisee (the “Franchise Agreement”). Affiliate agrees that upon termination of the Franchise Agreement by Franchisor due to Franchisee’s breach or termination by Franchisee without cause prior to the scheduled expiration of this Agreement according to 5.1 herein, and upon written request of Byrider Franchising, LLC, Affiliate will lease the Business Location to Franchisor or its designee at fair market rent for the operation of a Byrider business for a term of two (2) years. Affiliate acknowledges and agrees that nothing contained herein shall obligate Franchisor to lease the Business Location.

AFFILIATE: _____

By: _____

Name: _____

Title: _____

EXHIBIT H

TO FRANCHISE AGREEMENT

BYRIDER FRANCHISING, LLC

OWNER'S JOINDER

In consideration of, and as a condition to, the grant by BYRIDER FRANCHISING, LLC (“Company”) to «Name of Franchisee», «Entity Type» (“Franchisee”) of the franchise rights set forth in that certain Franchise Agreement, the undersigned owners of Franchisee hereby agree to be personally bound by the provisions of this Agreement applicable to them, including those contained in Section 7.16 (Confidential Information), Article XIV (Transfer of Franchise), Article XVIII (Covenant Not to Compete), Article XIX (Arbitration).

Signature: _____
Name: _____

Signature: _____
Name: _____

Signature: _____
Name: _____

Signature: _____
Name: _____

AFFIDAVIT OF OWNERSHIP

I, «Signatory», being first duly sworn upon my oath, depose and say:

1. That I am «Signatory Title» for «Name of Franchisee», «Entity Type» (“Franchisee”) and «Signatory Title» for «CoFranchisee» (“Co-Franchisee”) and have direct access to the ownership records of Franchisee and Co-Franchisee.

2. That the current stockholders/members for Franchisee and Co-Franchisee are as shown below:

A. Franchisee: **«Name of Franchisee»**, **«Entity Type»**

<u>Stockholder/Member</u>	<u>% Ownership</u>	<u>Stockholder/Member</u>	<u>% Ownership</u>
1) _____	_____ %	6) _____	_____ %
2) _____	_____ %	7) _____	_____ %
3) _____	_____ %	8) _____	_____ %
4) _____	_____ %	9) _____	_____ %
5) _____	_____ %	10) _____	_____ %

B. Co-Franchisee: **«CoFranchisee»**

1) _____	_____ %	6) _____	_____ %
2) _____	_____ %	7) _____	_____ %
3) _____	_____ %	8) _____	_____ %
4) _____	_____ %	9) _____	_____ %
5) _____	_____ %	10) _____	_____ %

3. That I will notify Byrider Franchising, LLC, attn. Legal Dept., prior to any changes of ownership.

Further affiant saith not.

DATED this «Day» day of «Month», «Year».

Affiant, «Signatory»

STATE OF _____
COUNTY OF _____, SS:

Subscribed and sworn to before me this _____ day of _____, 20____.

My Commission Expires: _____

County of Residence: _____

Notary Public

BYRIDER AND CNAC OPERATIONS

LEGAL NAME REQUIREMENTS

THE LEGAL NAMES YOU CREATE FOR OPERATING YOUR BYRIDER AND CNAC ENTITIES SHALL BE AS FOLLOWS OR SIMILAR:

BYRIDER ENTITY: [your initials] Automotive
CNAC ENTITY: [your initials] Finance

FOR EXAMPLE:

**JBH Automotive, LLC
JBH Finance, LLC**

EXHIBIT C
TO
FRANCHISE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (this "Agreement") is made and entered into as of _____ (the "Effective Date"), by and between Byrider Franchising, LLC ("Company") and _____ ("Franchisee").

RECITALS

A. Company and Franchisee entered into that certain franchise agreement dated _____ (the "Initial Franchise Agreement"), pursuant to which Franchisee undertook the obligation to own and operate Franchisee's Business. Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Initial Franchise Agreement.

B. Franchisee would like the option to acquire additional franchises to develop and operate Businesses, and Company agrees to grant Franchisee such rights subject to the terms and conditions in this Agreement.

AGREEMENT

1. Exclusive Development Area. Subject to the provisions of this Area Development Agreement, Franchisee shall have the exclusive right to purchase Byrider franchises to be located within _____ (collectively, the "Exclusive Development Area"); provided, however, Company reserves and retains the right, but shall not be obligated, to:

- (i) Establish, operate and franchise a business offering and selling products and/or services which may be the same as or similar to the products and services offered by the Business under any trade names, trademarks, service marks or logos other than the Marks;
- (ii) Use or license the use of the Marks to any business located outside of the Exclusive Development Area;
- (iii) Acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, and franchising, licensing or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating;
- (iv) Be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Franchisee at Businesses located within the Exclusive Development Area, or by another business; and
- (v) Engage in all other activities not expressly prohibited by this Agreement.

Initial Protected Territory. Franchisee's initial Protected Territory ("Initial Protected Territory") for each franchise opened pursuant to this Area Development Agreement shall be as follows:

<u>City Location</u>	<u>Initial Protected Territory</u>
_____:	___-mile radius surrounding the Business Location
_____:	___-mile radius surrounding the Business Location
_____:	___-mile radius surrounding the Business Location
_____:	___-mile radius surrounding the Business Location

2. Development Schedule. Both parties acknowledge and agree that a material provision of this exclusive right is that the following number of franchises must be opened by Franchisee and continuously operating in the Exclusive Development Area during the term of this Area Development Agreement in accordance with the following development schedule:

<u>Required Franchises</u>	<u>Opening Date</u>	<u>City Location*</u>
1st franchise:	Within 1 year after the date of this Area Development Agreement	Within Exclusive Development Area
2nd franchise:	Within 3 years after 1 st franchise opening date	Within Exclusive Development Area
3rd franchise:	Within 2 years after 2 nd franchise opening date	Within Exclusive Development Area
4th franchise:	Within 2 years after 3 rd franchise opening date	Within Exclusive Development Area

*The site for each location must be approved by the Company prior to Franchisee securing each site.

A. Reasonableness of Development Schedule. The Franchisee approves of the foregoing development schedule as being reasonable and viable, and recognizes the development schedule is necessary to insure acceptable Byrider development of the Exclusive Development Area.

B. Initial Franchise Fee. The initial franchise fees are as follows:

1.	1st franchise:	\$50,000.00
2.	2nd franchise:	\$35,000.00
3.	3rd franchise:	\$35,000.00
4.	4th franchise:	<u>\$35,000.00</u>
	Total fee:	\$155,000.00

C. Payment Upon Closing. In conjunction with the execution of this Area Development Agreement, Franchisee shall pay to the Company \$102,500.00, which represents the Initial Franchise Fee of \$50,000.00 for the 1st franchise and a Development Fee of \$17,500.00 for each of the 2nd-4th franchises. The Development Fee of \$17,500.00 for each franchise shall be applied toward the Initial Franchise Fee for each of the 2nd-4th franchises, respectively, developed under the terms of this Area Development Agreement. The remaining \$17,500.00 due for each of the 2nd-4th franchises shall be paid upon Franchisee's execution of the franchise agreement for the particular franchise. All fees paid under this Area Development Agreement are nonrefundable.

D. Franchise Agreements. At least sixty (60) days prior to opening the second and each succeeding franchise, Franchisee shall sign a then-current franchise agreement.

E. Development Schedule Extension Fee. If Franchisee is unable to develop a Business in accordance with the Development Schedule required under this Agreement, Franchisee may request, and the Company may grant Franchisee a six-month extension and charge Franchisee an extension fee, instead of terminating this Agreement. Franchisee must pay the Company \$5,000 per extension, which is paid in a lump sum, due when Franchisee's request is submitted, and is nonrefundable.

3. Use of Marks. Franchisee acknowledges and agrees that the development rights provided in this Agreement do not include any rights or license to use the System, Marks or other intellectual property while exercising Franchisee's development rights. Any and all rights to use the System, the Marks or other intellectual property will come only from the franchise agreements that Franchisee (or its affiliates) signs to operate Businesses.

4. No Subfranchising Rights. This Agreement does not give Franchisee any right to license others to operate Businesses. Only Franchisee or its affiliates that sign franchise agreements with Company may open and operate Businesses.

5. Termination. Company may terminate this Agreement, effective immediately upon delivery of termination notice to Franchisee, if any of the following occurs: (i) Franchisee breaches any of the terms of this Agreement at any time; (ii) Franchisee (or any of its affiliates) has made any material misrepresentation or omission on any application, report, claim, financial statement or similar document submitted to Company in connection with acquiring the development rights hereunder or any franchise rights; or (iii) any franchise agreement executed by Franchisee or any of its affiliates for the operation of a Business is terminated for any reason, including without limitation, the Initial Franchise Agreement.

6. No Assignability. This Agreement and all related rights are not assignable by Franchisee without Company's prior written consent.

7. Miscellaneous. This Agreement is incorporated into and made a part of the Initial Franchise Agreement by this reference. To the extent of any inconsistency between the Initial Franchise Agreement and this Agreement, the terms of this Agreement shall control. All matters arising under the terms of this Agreement will be governed by the rules of construction and dispute resolution under the Initial Franchise Agreement. This Agreement may be signed in counterparts, each of which shall be deemed an original but all of which taken together shall constitute one and the same instrument. The parties agree that scanned or electronic signatures shall have the same effect and validity, and may be relied upon in the same manner, as original signatures.

Byrider Franchising, LLC

By _____
Craig S. Peters, Pres.

Date

EXHIBIT D
TO
FRANCHISE DISCLOSURE DOCUMENT

Byrider Franchise Directory

Branch locations are enclosed within ().

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Alabama</u>				
AL106	Stephen Locklear	2700 Skyland Blvd. East Tuscaloosa, AL 35405 205-349-6280	3/9/04	No
AL112	Stephen Locklear	505 Columbus Pkwy Opelika, AL 36801 334-749-6555	1/25/19	No
<u>Arizona</u>				
AZ103	Wright/Hirst	1455 N. Arizona Avenue Chandler, AZ 85225 480-821-8833	4/10/01	Yes
AZ109	Steven Walden	1780 E. Benson Hwy Tucson, AZ 85714 520-344-7792	7/2/14	Yes
<u>Arkansas</u>				
AR102	David Hanson	2737 N. Thompson St. Springdale, AR 72764 479-903-7071	7/9/13	Yes
AR103	Matthew Enderlin	3301 S. Zero St. Fort Smith, AR 72908 501-975-1100	3/1/15	Yes
AR104	Matthew Enderlin	1560 E. Oak St. Conway, AR 72032 501-358-6968	4/5/17	Yes
AR105	Matthew Enderlin	6055 Landers Rd. Sherwood, AR 72117 501-975-1100	7/31/17	Yes
AR106	Matthew Enderlin	22677 I-30 Bryant, AR 72022 501-213-0010	2/5/20	Yes
AR107	Matthew Enderlin	3405 E. Main St. Russellville, AR 72802 479-567-5255	11/18/20	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Colorado</u>				
CO107	Rick Steenbock/ William Smith, Jr.	6401 Federal Blvd. Denver, CO 80221 303-732-8532	7/30/15	Yes
CO108	Deborah/Peter Flaherty	1340 Ainsworth St. Colorado Springs, CO 80915	4/7/18	Yes
<u>Connecticut</u>				
CT103	Merriam/Dulitsky	1187 E. Main St. Meriden, CT 06450 203-443-5400	5/7/14	Yes
<u>Florida</u>				
FL139	Jim Thompson/ Jim Kagiliery	1285 Cassat Avenue Jacksonville, FL 32205 904-425-3000	12/12/01	Yes
FL154	Jim Thompson/ Jim Kagiliery	7701 Park Blvd Pinellas Park, FL 33781 727-369-7777	11/30/10	No
FL161	J./S. Locklear	704 W. 15 th St. Panama City, FL 32401 850-250-2622	2/21/14	Yes
FL162	Jim Thompson/ Jim Kagiliery	8829 US Hwy 19 Port Richey, FL 34668 727-264-1107	4/25/14	No
FL163	J./S. Locklear	707 New Warrington Rd. Pensacola, FL 32506 850-361-2800	7/23/15	Yes
FL164	Randy Barson	3907 14 th St. West Bradenton, FL 34205 941-896-9610	7/31/17	Yes
<u>Georgia</u>				
GA108	Paul Hanks	t.b.d.	10/19/20	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Idaho</u>				
ID101	James Chalfant	3880 W. Chinden Blvd. Boise, ID 83714 208-472-3100	4/8/13	Yes
ID102	James Chalfant	516 E. 2nd Street Nampa, ID 83651	7/6/18	Yes
<u>Illinois</u>				
ILC40	Company	1613 W. Pioneer Pkwy Peoria, IL 61615 309-839-8445	7/31/18	Yes
ILC42	Company	9150 S. Harlem Ave. Bridgeview, IL 60455 708-422-9100	1/25/20	Yes
IL105	Kevin Sullivan	441 W. Marketview Drive Champaign, IL 61822 217-355-3100	7/23/91	No
IL115	Michael Burgstone	2323 W. Jefferson Street Joliet, IL 60435 815-207-5500	7/29/02	Yes
IL116	Kevin Sullivan	1709 S. Veteran's Parkway Bloomington, IL 61701 309-665-5000	9/17/02	Yes
IL117	Bob Brady	2190 E. Pershing Road Decatur, IL 62526 217-877-0040	12/18/02	Yes
IL119	Bob Brady/ Steven Gensler	909 S. Dirksen Parkway Springfield, IL 62703 217-522-1801	5/17/06	No
IL121	Michael Burgstone	800 North Avenue Glendale Heights, IL 60139 630-403-3800	10/22/08	No
IL122	Rachel Bachrodt	5695 E. State St. Rockford, IL 61108 815-231-2660	8/26/09	No
IL125	Michael Burgstone	750 Dundee Ave. East Dundee, IL 60118 847-246-9300	6/26/12	No
IL130	Michael Burgstone	t.b.d.	12/12/13	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
IL131	Michael Burgstone	300 W. 162 nd St. South Holland, IL 60473 708-232-1740	6/5/15	No
IL132	Jeff Anderson	1710 Vaughn Road Wood River, IL 62095 618-258-8700	10/22/18	No
<u>Indiana</u>				
INCO2	Company	1703 US 31 S. Greenwood, IN 46143 317-865-8200	5/15/94	Yes
INCO3	Company	1525 N. Shadeland Ave. Indianapolis, IN 46219 317-354-4444	1/10/96	Yes
INCO5	Company	575 Sagamore Parkway S. Lafayette, IN 47905 765-449-8200	11/26/96	Yes
INCO7	Company	5050 West 38 th Street Indianapolis, IN 46254 317-347-9000	6/1/98	Yes
INC10	Company	3521 Grape Road Mishawaka, IN 46545 574-344-5390	12/29/99	Yes
INC39	Company	6349 Broadway Ave. Merrillville, IN 46410 219-806-3050	7/31/18	Yes
IN116	Roy Wagner	506 E. McGalliard Muncie, IN 47303 765-286-8000	9/23/93	Yes
(IN116A)	Roy Wagner	1061 Chester Blvd. Richmond, IN 47374 765-962-4171	12/20/94	Yes
(IN116B)	Roy Wagner	311 S. Scatterfield Rd. Anderson, IN 46012 765-643-6069	12/20/94	Yes
(IN116C)	Roy Wagner	2425 West 3 rd Street Bloomington, IN 47404 812-333-1776	1/24/96	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
(IN116D)	Roy Wagner	2645 N. National Rd. Columbus, IN 47201 812-348-1255	8/27/97	Yes
(IN116H)	Roy Wagner	2116 N. 1 st Avenue Evansville, IN 47710 812-426-2500	12/28/98	Yes
IN124	Aaron Zeigler	310 E. Washington Center Rd. Ft. Wayne, IN 46825 260-209-5071	1/24/13	No
IN125	Robert Boyce	1186 E. Markland Ave. Kokomo, IN 46904 765-553-5200	1/3/14	No
<u>Iowa</u>				
IA104	Russ Larson	125 S. Roosevelt Ave. Burlington, IA 52601 319-754-4220	1/15/95	Yes
IA109	Russ Larson	925 W. Kimberly Rd. Davenport, IA 52806 563-344-9222	1/31/05	Yes
IA110	Russ Larson	2426 SE 14 th Street Des Moines, IA 50320 515-697-7073	7/2/08	Yes
IA111	Russ Larson	3837 First Ave. SE Cedar Rapids, IA 52402 319-866-7179	8/19/08	Yes
<u>Kentucky</u>				
KY104	Jeff Anderson	250 E. 18 th Street Owensboro, KY 42303 270-684-7669	1/14/08	No
KY106	Charles Rashid/ Mitchell Rashid	770 E. New Circle Rd. Lexington, KY 40505 859-523-8457	3/4/13	Yes
KYC20	Company	6507 Preston Highway Louisville, KY 40219 502-574-9090	7/15/11	Yes
KYC27	Company	6619 Dixie Highway Florence, KY 41042 859-746-0043	12/1/12	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Louisiana</u>				
LA110	Barry Biggers	1107 Oliver Road Monroe, LA 71201 318-450-3490	9/8/20	No
<u>Maryland</u>				
MD102	Ward Griffith	8 8 th Avenue NW Glen Burnie, MD 21061 410-787-1005	12/26/00	No
MD106	Ward Griffith	9330 Liberty Rd. Randallstown, MD 21133 443-354-1600	11/20/12	No
<u>Massachusetts</u>				
MA102	Gerard Vachon	957 Washington Street S. Attleboro, MA 02703 508-761-1111	10/29/99	Yes
MA103	Edward J. Wiggins	1675 Main Street Brockton, MA 02301 508-427-6666	11/5/99	No
MA104	Trevor Wiggins	331 State Rd. (Route 6) Dartmouth, MA 02747 508-992-0000	4/3/02	No
MA105	Trevor Wiggins	1090 Boston Rd. Springfield, MA 01119 413-783-9600	8/21/03	No
MA108	Gerard Vachon	49 Worcester-Providence Tpke. Sutton, MA 01590 508-865-1999	4/1/13	Yes
<u>Michigan</u>				
MI105	Harold Zeigler	3227 S. Westnedge Ave. Kalamazoo, MI 49008 269-375-8778	6/28/00	No
MI108	Harold Zeigler	4811 South Cedar St. Lansing, MI 48910 517-882-3690	1/24/03	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
MI109	Jamie Marsh	1788 Barlow St. Traverse City, MI 49686 231-932-7900	10/2/08	No
MI113	Jamie Marsh	6011 Bay Road Saginaw, MI 48604 989-401-8899	4/17/15	Yes
MI115	Jeff Anderson	2215 US Hwy 31 N Petoskey, MI 49770 231-347-3200	10/31/11	No
MI116	Jamie Marsh	2675 SW 28 th St. Wyoming, MI 49519	2/28/20	No
<u>Missouri</u>				
MO106	Russ Larson	608 Business Loop 70 West Columbia, MO 65203 573-817-1700	4/7/09	No
MO109	Russ Larson	1226 S. Glenstone Ave. Springfield, MO 65804 417-863-6500	3/21/13	No
MO110	Roy Wagner	2520 Burlington St. N. Kansas City, MO 64116 816-612-8787	9/9/13	No
MO112	Lawrence West, Sr.	2603 N. Bishop Ave. Rolla, MO 65401 573-426-2620	9/21/15	Yes
MO113	Russ Larson	3215 E. 20 th St. Joplin, MO 64801 417-208-0451	11/3/16	No
<u>Mississippi</u>				
MS104	Barry Biggers	2600 HWY. 80E Pearl, MS 39208 601-939-7151	3/3/00	No
MS105	Barry Biggers	5719 I-55 N. Frontage Rd. Jackson, MS 39206 769-524-3336	11/30/12	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>New Hampshire</u>				
NH101	Richard Domaleski	782 Gold St. Manchester, NH 03103 603-370-3360	6/3/14	Yes
<u>New York</u>				
NY107	Thomas Hoffman, Jr.	2017 Central Ave. Colonie, NY 12205 518-396-5060	8/13/12	Yes
<u>North Carolina</u>				
NC106	Lloyd Thomas/ Christopher Thomas	5101 New Bern Avenue Raleigh, NC 27610 919-268-4790	4/4/07	No
NC109	Lloyd Thomas/ Christopher Thomas	3601 Durham-Chapel Hill Blvd Durham, NC 27707 919-442-0423	9/10/12	No
NC112	Chris McPhie	7401 South Blvd. Charlotte, NC 28273 704-496-7730	1/5/15	Yes
NC113	Chris McPhie	t.b.d.	4/26/16	No
<u>Ohio</u>				
OH130	Chris McPhie	777 Canton Rd. Akron, OH 44312 330-733-8828	10/15/02	Yes
OH132	Dennis Ange	20941 Euclid Ave. Euclid, OH 44117 216-486-6400	9/30/01	Yes
OH140	Chris McPhie	1810 W. 4 th St. Mansfield, OH 44906 419-529-2515	12/2/04	No
OH142	Chris McPhie	4536 Cleveland Road Wooster, OH 44691 330-345-4565	5/17/08	No
OH148	Chris McPhie	3000 W. Tuscarawas St. Canton, OH 44708 330-458-0000	12/31/09	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
OH152	Chris McPhie	3420 North Ridge East Ashtabula, OH 44004 440-992-3900	8/6/12	No
OH154	Jim Park	67701 Mall Road Saint Clairsville, OH 43950 740-526-0000	9/28/18	Yes
OHC06	Company	2144 Elida Rd. Lima, OH 45805 567-242-6900	12/10/97	Yes
OHC09	Company	2886 S. Hamilton Rd. Columbus, OH 43232 614-575-1177	6/1/98	Yes
OHC11	Company	2646 Morse Road Columbus, OH 43231 614-478-1600	6/1/99	Yes
OHC12	Company	5515 Dixie Highway Fairfield, OH 45014 513-939-2700	1/2/00	Yes
OHC13	Company	9797 Colerain Ave. Cincinnati, OH 45251 513-923-3999	1/2/00	Yes
OHC18	Company	8581 Beechmont Ave. Cincinnati, OH 45255 513-407-4111	5/21/09	Yes
OHC19	Company	3700 W. Broad St. Columbus, OH 43228 614-456-1717	7/15/11	Yes
OHC21	Company	7871 Market Street Boardman, OH 44512 330-758-5800	9/30/11	Yes
OHC29	Company	1575 Miamisburg- Centerville Rd. Dayton, OH 45459 937-853-3455	12/1/12	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
OHC33	Company	5941 West Central Ave. Toledo, OH 43615 419-842-1655	8/31/14	No
OHC34	Company	1375 ½ Conant Street Maumee, OH 43537 419-893-2334	8/31/14	No
OHC35	Company	7550 Leavitt Rd. Amherst, OH 44001 440-988-3000	8/31/14	No
OHC36	Company	5250 Brookpark Road Parma, OH 44134 216-398-7000	8/31/14	No
OHC37	Company	90 Broadway Bedford, OH 44146 440-658-1100	8/31/14	No
<u>Pennsylvania</u>				
PA108	Randall Barson	601 State Avenue Emmaus, PA 18049 610-965-1500	5/18/01	Yes
PA110	Lenny Tagliavia	2460 Freemansburg Ave. Easton, PA 18042 484-548-6300	7/20/05	Yes
PA111	Randall Barson	2261 Lancaster Pike Reading, PA 19607 610-777-3500	9/7/05	Yes
PA115	Randall Barson	2140 Sans Souci Pkwy Wilkes-Barre, PA 18706 570-740-2700	4/26/13	Yes
PA116	Doug Lewis	701 E. Main St. Palmyra, PA 17078 717-641-3755	4/2/14	Yes
PA117	Charles Driscoll	3510 W. College Ave. State College, PA 16801 814-954-8182	1/20/15	Yes
PAC22	Company	3500 East State St. Hermitage, PA 16148 724-342-7500	9/30/11	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
PAC23	Company	1561 W. Liberty Ave. Pittsburgh, PA 15226 412-563-2888	9/30/11	Yes
PAC24	Company	7200 McKnight Rd. Pittsburgh, PA 15237 412-364-1112	9/30/11	Yes
PAC25	Company	4916 William Penn Highway Monroeville, PA 15146 724-733-1400	9/30/11	Yes
PAC38	Company	4125 Peach St. Erie, PA 16509 814-868-0700	8/31/14	No
<u>Rhode Island</u>				
RI101	Edward J. Wiggins	615 Reservoir Avenue Cranston, RI 02910 401-781-8500	6/14/96	Yes
<u>South Carolina</u>				
SC105	John Gandolfo	3815 W. Beltline Blvd. Columbia, SC 29204 803-748-9331	11/30/98	Yes
SC114	John Gandolfo	2126 Boland Circle North Charleston, SC 29406 843-614-8200	7/24/08	Yes
SC115	John Gandolfo	2400 Laurens Rd. Greenville, SC 29607 864-412-3900	7/23/13	Yes
<u>Tennessee</u>				
TN109	John Gandolfo	2580 Mt. Moriah Rd. Memphis, TN 38115 901-244-5303	2/24/17	Yes
TNC28	Company	1525 Gallatin Pike North Madison, TN 37115 615-860-3838	12/1/12	No
TNC41	Company	1815 NW Broad Street Murfreesboro, TN 37129 629-207-4640	1/31/19	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
<u>Texas</u>				
TX109	James Day	3216 SW Military Drive San Antonio, TX 78211 210-927-1700	5/21/01	Yes
TX112	Mark Bedgood	1007 West Marshall Longview, TX 75604 903-553-2974	3/26/02	Yes
TX114	Mark Bedgood	3908 S SW Loop 323 Tyler, TX 75701 903-509-3100	11/9/04	No
TX115	James Day	11150 IH35 N San Antonio, TX 78233 210-651-1191	2/4/05	No
TX116	James Day	6226 Bandera Road Leon Valley, TX 78238 210-523-0900	4/21/06	No
TX118	Erich Kissick	909 South Beckley Ave. De Soto, TX 75115 469-643-2233	6/4/07	No
TX122	Mark Bedgood	4824 W. Waco Drive Waco, TX 76710 254-300-5377	3/26/12	No
TX128	Christopher Campbell	8840 Camp Bowie W. Blvd. Ft. Worth, TX 76116 817-632-2900	8/21/18	Yes
TX129	Mark Bedgood	1906 E. Rancier Ave. Killeen, TX 76541		
<u>Virginia</u>				
VA102	Gary Duncan	3141 Peters Creek Rd. Roanoke, VA 24019 540-527-1900	1/7/99	No
<u>West Virginia</u>				
WV104	Jim Park	1328 7th St. Parkersburg, WV 26101 304-428-6221	1/22/03	No

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
WV105	Jim Park	3129 MacCorkle Ave. SW South Charleston, WV 25303 304-925-5656	2/10/05	No
WV106	Jim Park	1626 East Pike Street Clarksburg, WV 26301 304-624-9898	6/30/06	No
WV107	Jim Park	34 Sterling Drive Morgantown, WV 26505 304-381-2515	9/28/10	No
WV108	Charles Rashid	4631 Robert C. Byrd Beckley, WV 25801 681-238-5257	3/1/12	Yes
WV109	Jim Park	6018 U.S. 60 Barboursville, WV 25504 304-736-5656	2/21/13	No
<u>Wisconsin</u>				
WI102	Mike Darrow	4810 S. 27 th St. Milwaukee, WI 53221 414-325-2000	3/10/98	No
WI104	Mike Darrow	2301 W. College Avenue Appleton, WI 54914 920-749-7979	7/27/01	No
WI107	Mike Darrow	5234 High Crossing Blvd. Madison, WI 53718 608-663-1213	11/20/00	No
WI110	Mike Darrow	W226 S1700 Hwy 164 Waukesha, WI 53186 262-506-3131	9/23/96	No
WI111	Richard Francois	3316 Pontiac Drive Janesville, WI 53545 608-753-5171	1/23/12	Yes
WI112	Mike Darrow	2805 Ramada Way Green Bay, WI 54304 902-455-7788	4/25/13	No
WI114	Keith Kocourek	2600 N 20 th Ave. Wausau, WI 54403 715-298-0788	8/9/13	Yes

<u>State/Province</u>		<u>Address & Phone</u>	<u>Commencement Date</u>	<u>Owner-Managed</u>
WI1115	Richard Francois	8224 Washington Ave. Racine, WI 53406 262-321-3532	11/25/14	No
WI1116	Mike Darrow	3815 Jackson St. Oshkosh, WI 54901 920-479-7400	12/19/18	No
WI1117	Mike Darrow	44 N. Rolling Meadows Dr. Fond du Lac, WI 54937 262-787-5800	7/29/19	No

EXHIBIT D-2

Franchisees who have signed a Franchise Agreement, but have not yet opened for business:

IL130 Burgstone

NC113 McPhie

EXHIBIT E
TO
FRANCHISE DISCLOSURE DOCUMENT

**OPERATIONS MANUALS' TABLES OF CONTENTS
AND TRAINING DESCRIPTIONS**

This Exhibit E contains the following manual's tables of contents:

- I. SALES OPERATIONS
- II. CNAC OPERATIONS
- III. BYRIDER/CNAC REPORTS
- IV. SERVICE OPERATIONS
- V. ACCOUNTING
- VI. BYRIDER DIRECT

The following training descriptions are provided.

- I. SALES TRAINING
- II. VEHICLE SERVICE OPERATIONS AND MANAGEMENT
- III. CNAC TRAINING
- IV. INITIAL TRAINING PROGRAM
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Glossary

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SALES TRAINING (Byrider University)

This course is designed to train new Byrider Sales personnel how to operate within the Byrider Sales and Finance Process and to reinforce skills previously learned by experienced Sales personnel. This is a hands-on course where students will role play various sales activities and practice Discover Sales Control applications.

Materials covered in the first two days of the course include: the history of Byrider and its mission and values; the relationship between Byrider and CarNow Acceptance Company (CNAC); all sales elements of the Byrider Sales and Finance Process; the use of the Sales Control module in Discover; and standards of operation that apply to the sales force.

The focus of the third day is on: inventory control; personnel management issues to include goal setting, hiring, and training; sales management daily and weekly duties; the identification and correction of operating variances to include the use of boards and reports; control of deal structure; and expense control.

VEHICLE SERVICE OPERATIONS AND MANAGEMENT (Byrider University)

This three-day course is designed for personnel responsible for managing the Service Department of a Byrider store. Subjects covered include an explanation and hands on practice in Discover for vehicle reconditioning and servicing customers' vehicles. Additional topics presented include management of: shop workload; vendors; parts inventories; vehicle inventory; safety and environmental issues; shop maintenance; service department goals with boards and reports; and personnel.

CNAC TRAINING (Byrider University)

This course is designed for CNAC personnel, including the Underwriter, Finance Manager, Account Representative (Collector), or Portfolio Manager. Topics covered include: an introduction to the Byrider/CNAC business model; operating standards and historical information on CNAC trends; the use of the Collections module in Discover; collection do's and don'ts; phone etiquette; legal issues associated with collecting; NSF procedures; in office interviews and collection letters; outside collections; correlation between A.R.E. and static pool; and administrative/legal responsibilities relating to data security. There is a hands-on review of real life underwriting decisions on individual deals, practice in Discover, and role play of collections scenarios. The course also covers a management perspective on collections, repossessions, skip tracing, back offs, charge offs, bad debt recovery, personnel administration, collateral exchange/reduced gross rule on insurance losses, and management level report analysis.

INITIAL TRAINING PROGRAM

The Initial Training Program is for the Designated Manager consisting of approximately two (2) weeks of combined classroom and on the job instruction pertaining to operation of the Franchisee's business that may include sales and marketing methods, financial controls, maintenance of quality standards, customer service techniques, record keeping, reporting procedures, and other operational issues.

ONTRACK

OnTrack is the Byrider/CNAC online training site. Multiple certification paths are offered for positions from a Sales/General Manager to a Cashier or Detailer. Courses and materials are available for special situations, such as the annual Tax Program. In addition to courses created in house, many are available from training partners in areas of leadership and governmental compliance.

EXHIBIT F
TO
FRANCHISE DISCLOSURE DOCUMENT

**ACCEPTANCE AND ASSUMPTION OF OBLIGATIONS
(Financing Division)**

THIS ACCEPTANCE AND ASSUMPTION OF OBLIGATIONS (the “**Agreement**”) is made as of the Effective Date by and between **BYRIDER FRANCHISING, LLC (“us”)**, [REDACTED] (“**Franchisee**”), [REDACTED], a [REDACTED] having its principal place of business at the same address as the Franchisee (the “**Finance Entity**”), and the undersigned Guarantors. The Effective Date is the date we sign this Agreement as shown beneath our signature on the signature page.

RECITALS

A. We and Franchisee are parties to a Franchise Agreement, dated [REDACTED], pursuant to which we granted Franchisee the right and license, and Franchisee undertook the obligation, to own and operate a Business, including both a Byrider sales division and a CNAC finance division, at [REDACTED] (the “**Franchise Agreement**”). Each of the undersigned Guarantors has executed a Personal Guaranty and Assumption of Franchisee’s Obligations (each a “**Guarantee Agreement**”).

B. Franchisee has advised us that it has created the Finance Entity for purposes of conducting the CNAC financing and collection portion of the Business (the “**Financing Activities**”) under and as described in the Franchise Agreement.

C. We are willing to consent to the operation of the Finance Entity, as described in Recital B, subject to the terms and conditions set forth in this Agreement.

D. Capitalized terms used but not defined in this Agreement shall have the meanings ascribed to them in the Franchise Agreement.

AGREEMENT

FOR AND IN CONSIDERATION of the foregoing Recitals (which are incorporated in and made a part of this Agreement), the covenants contained herein, and other valuable consideration, receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Our Consent.** We hereby consent to your conducting the Financing Activities through the Finance Entity during the Term of the Franchise Agreement, provided that the Finance Entity is and remains either your wholly owned subsidiary or your Affiliate whose owners, and the percentages of the ownership held by each, mirror your ownership structure.

2. **Acceptance and Assumption of Franchise Agreement.** The Finance Entity hereby joins in, accepts and assumes all of the obligations of the “Franchisee” under the Franchise Agreement as if it were a signatory to the Franchise Agreement. The parties agree that all references in the Franchise Agreement to “Franchisee” shall be deemed to be references to both the Finance Entity and you, jointly and severally, and that the Finance Entity’s rights with respect to the Financing Activities derive solely from the Franchise Agreement. The Finance Entity and you agree that, unless we provide our prior written consent (which we may withhold or condition at our discretion), the sole business of the Finance Entity will be, and that it will engage only in, the Financing Activities as they relate to the Business and, further, that it will engage in the Financing Activities in strict compliance with the Franchise Agreement.

3. **Responsibility for the Acts of the Finance Entity.** The grant of our consent under this Agreement is an accommodation to you and is not intended to bifurcate accountability for the “Franchisee’s” obligations described in the Franchise Agreement. The Finance Entity and you each acknowledge and agree that an act or omission of one will be deemed to be the act or omission of the other, and each will be responsible for the consequences of that act or omission irrespective of who committed it. Further, a breach by either the Finance Entity or you of the Franchise Agreement will constitute a breach of the entire Franchise Agreement, and both the Finance Entity and you will bear liability for such breach, jointly and severally. While we may elect to do so, we are not required to proceed against the Finance Entity and you jointly or to proceed against one before proceeding against the other.

4. **Personal Guarantees.** Each of the undersigned Guarantors agrees that its guarantee under the Guarantee Agreement of the performance of the “franchisee” shall be deemed to be a guarantee of the performance of both the Finance Entity and you and that all references in the Guarantee Agreement to “franchisee” are deemed to be references to both.

5. **Dispute Resolution.** Any disputes involving this Agreement shall be resolved in accordance with and pursuant to the provisions of the Franchise Agreement applicable to the resolution of disputes under the Franchise Agreement. The parties hereby adopt and incorporate herein all such provisions of the Franchise Agreement (including, without limitation, provisions regarding the obligation to arbitrate, choice of law, and venue).

6. **Miscellaneous.** This Agreement constitutes the entire understanding between the parties with respect to the transaction this Agreement contemplates. This Agreement may be executed in multiple copies, each of which will be deemed an original. Signatures transmitted via facsimile or scanned and emailed shall be given the same force and effect as an original.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Effective Date.

BYRIDER FRANCHISING LLC

By: _____
Name: Craig S. Peters
Its: President
Date*: _____
(*This is the Effective Date)

GUARANTOR:

Sign: _____
Name: _____
Date: _____

FINANCE ENTITY:

By: _____
Name: _____
Its: _____
Date: _____

FRANCHISEE:

By: _____
Name: _____
Its: _____
Date: _____

EXHIBIT G
TO
FRANCHISE DISCLOSURE DOCUMENT

State Agencies:

(CALIFORNIA) CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, 2101 ARENA BOULEVARD, SACRAMENTO, CA 95834;

(HAWAII) SECURITIES EXAMINER, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, SECURITIES COMPLIANCE BRANCH, 335 MERCHANT STREET, ROOM 203, HONOLULU, HAWAII 96813

(ILLINOIS) ILLINOIS ATTORNEY GENERAL'S OFFICE, 500 SOUTH SECOND STREET, SPRINGFIELD, ILLINOIS 62706, WHICH ADMINISTERS AND ENFORCES THE ILLINOIS FRANCHISE DISCLOSURE ACT;

(INDIANA) SECURITIES COMMISSION, 302 WEST WASHINGTON ST, RM. E-111, INDIANAPOLIS, INDIANA 46204;

(MARYLAND) OFFICE OF THE ATTORNEY GENERAL, DIVISION OF SECURITIES, 200 ST. PAUL PLACE, BALTIMORE, MARYLAND 21202;

(MICHIGAN) CONSUMER PROTECTION DIVISION, DEPARTMENT OF THE ATTORNEY GENERAL, 670 LAW BUILDING, LANSING, MICHIGAN 48913;

(MINNESOTA) COMMISSIONER OF COMMERCE, 85 7TH PLACE EAST, SUITE 280, ST. PAUL, MINNESOTA 55101, WHICH ADMINISTERS AND ENFORCES THE MINNESOTA FRANCHISE ACT;

(NEW YORK) NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY ST. 21ST FL, NEW YORK, NEW YORK 10005;

(NORTH DAKOTA) SECURITIES COMMISSIONER, 600 EAST BOULEVARD, BISMARCK, NORTH DAKOTA 58505;

(RHODE ISLAND) RHODE ISLAND DEPARTMENT OF BUSINESS REGULATION, SECURITIES DIVISION, JOHN O. PASTORE COMPLEX, 1511 PONTIAC AVENUE, BUILDING 69-1, CRANSTON, RI 02910;

(SOUTH DAKOTA) DIVISION OF INSURANCE, SECURITIES REGULATION, 124 S. EUCLID SUITE 104, PIERRE, SD 57501;

(VIRGINIA) COMMONWEALTH OF VIRGINIA, CORPORATION COMMISSION, P.O. BOX 1197, RICHMOND, VIRGINIA 23209;

(WASHINGTON) DEPARTMENT OF FINANCIAL INSTITUTIONS, P.O. BOX 9033, OLYMPIA, WASHINGTON 98507-9033;

(WISCONSIN) COMMISSIONER OF SECURITIES, 201 W. WASHINGTON AVENUE, SUITE 300, MADISON, WISCONSIN 53703, WHICH ADMINISTERS AND ENFORCES THE WISCONSIN FRANCHISE INVESTMENT LAW.

The name and address of the Company's agent in the following states authorized to receive service for process is:

(CALIFORNIA) in relation to matters arising under the Franchise Investment Law) Department of Financial Protection and Innovation, 2101 Arena Boulevard, Sacramento, CA 95834;

(HAWAII) Commissioner of Securities, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813;

(ILLINOIS) Illinois Attorney General, 500 South Second Street, Springfield, Illinois 62706;

(INDIANA) Secretary of State, 201 State House, Indianapolis, Indiana 46204;

(MARYLAND) Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202;

(MICHIGAN) Corporation & Securities Bureau, Department of Commerce, P.O. Box 30222, Lansing, Michigan 48909;

(MINNESOTA) Commissioner of Commerce, 85 7th Place East, Suite 280, St. Paul, Minnesota 55101;

(NEW YORK) Secretary of State, 99 Washington Avenue, Albany, New York 12231;

(NORTH DAKOTA) Securities Commissioner, 600 East Boulevard, Bismarck, North Dakota 58505;

(RHODE ISLAND) Rhode Island Department of Business Regulation, Securities Division, John O. Pastore Complex, 1511 Pontiac Avenue, Building 69-1, Cranston, RI 02910;

(SOUTH DAKOTA) Division of Insurance, Securities Regulation, 124 S. Euclid Suite 104, Pierre, SD 57501;

(VIRGINIA) Commonwealth of Virginia, Corporation Commission, P.O. Box 1197, Richmond, Virginia 23209;

(WASHINGTON) Department of Financial Institutions, Securities Division, 150 Israel Road SW, Tumwater, WA 98501;

(WISCONSIN) Commissioner of Securities, 201 W. Washington Avenue, Suite 300, Madison, Wisconsin 53703.

EXHIBIT H
TO
FRANCHISE DISCLOSURE DOCUMENT

List of Franchisees Who Left the System

Terminated

Joseph Ghaben (IL124) – one outlet terminated; outlet continues to operate under new ownership
Bridgeview, IL 60455
708-422-9100

Jim Park (KY107) – one outlet terminated; continues to operate other Byrider locations
Ashland, KY 41101
304-428-6221

Destini Molitor (MN104) – one outlet terminated
St. Cloud, MN 56304
320-281-2640

Company Store (OHC32) – one outlet terminated; continues to operate other Byrider locations
Cleveland, OH 44111
216-658-1234

Lenny Tagliavia (PA119) – one outlet terminated; continues to operate other Byrider locations
East Stroudsburg, PA 18301
510-426-1350

James Bradford (TX126, TX127, UT104, UT105) – four outlets terminated
Houston, TX 77061
832-378-9792

Canceled

Brian Rapp (NY108)
Syracuse, NY 13206
315-412-1364

Not Renewed

N/A

Inactive

Trevor Wiggins (MA105) – continues to operate other Byrider locations
Springfield, MA 01119
413-783-9600

Jonathan Gandolfo (TN109) – continues to operate other Byrider locations
Memphis, TN 38115
901-244-5303

EXHIBIT I
TO
FRANCHISE DISCLOSURE DOCUMENT

RENEWAL ADDENDUM
TO FRANCHISE AGREEMENT

This **RENEWAL ADDENDUM** (this “**Addendum**”) dated as of _____ (the “**Effective Date**”) amends and supplements certain terms and conditions of the Renewal Franchise Agreement dated _____ (the “**Renewal Franchise Agreement**”) entered into between **BYRIDER FRANCHISING, LLC** (the “**Company**”) and _____ (the “**Franchisee**”). In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

1. **Background.** Franchisee and the Company are parties to that certain Franchise Agreement dated _____ (the “**Existing Franchise Agreement**”), which is scheduled to expire on _____, pursuant to which Franchisee operates a Byrider sales division (the “**Business**”) located at _____ (the “**Business Location**”). Franchisee desires to obtain a renewal of its franchise for the operation of the Business by executing the Company’s current form of franchise agreement simultaneously herewith.

2. **Training and Assistance.** Franchisee acknowledges that, as of the Effective Date, Franchisee and the Franchisee’s Managers have completed the training requirements pursuant to Section 6.1 of the Renewal Franchise Agreement. Franchisee further acknowledges and agrees that the Company has complied with its obligations (or Franchisee waives, as the case may be, the Company’s obligations) under the Renewal Franchise Agreement to: (a) provide training as provided in Section 6.1(A), (b) install Franchisee’s computer system as provided in Section 6.1(C), (c) provide on-site assistance as provided in Section 6.6, and (d) provide assistance with the Grand Opening as provided in Section 6.7.

3. **Lease Approval.** Section 7.3 of the Renewal Franchise Agreement is hereby deleted and replaced in its entirety with the following:

7.3 Lease of Business Location. The Company has previously approved a lease (or sublease) for the Business Location. Provided that Franchisee continues to operate Franchisee’s Business under such approved lease (or sublease), or exercises an option to renew thereunder, the Company waives any requirement for lease review and approval set forth below. If, however, the terms of such approved lease (or sublease) are amended, or Franchisee desires to enter into a new lease (or sublease) for the Business Location, such new or amended lease (or sublease) shall be subject to the Company’s review and approval. The Company’s review of and consent to the lease are limited to those provisions and items that the Company believes are necessary and appropriate solely for its own purposes and its own benefit as the licensor of the Marks and the System. The Franchisee has been advised to obtain the advice of its own professional advisors before the Franchisee signs or makes any adjustments to the lease to accommodate its operation of the

Franchisee's Business. In the event Franchisee or its affiliate owns the approved Business Location, Franchisee agrees that upon termination of this Agreement by Company due to Franchisee's breach or termination by Franchisee without cause prior to the scheduled expiration according to 5.1 herein, Franchisee or its affiliate will, at Company's election, lease the Business Location to Company or its affiliate at market rent for a term of two (2) years.

4. **Opening**. Section 7.4 of the Renewal Franchise Agreement is hereby deleted.

5. **Initial Franchise Fee**. Section 9.1 of the Renewal Franchise Agreement is hereby deleted.

6. **Starter Kit Fee**. Section 9.5 of the Renewal Franchise Agreement is hereby deleted.

7. **Right to Terminate Prior to Opening**. Section 16.1 of the Agreement is hereby deleted.

8. **Brand Transition**. Until June 1, 2021 ("Transition Deadline"), Franchisee may continue to operate under the "J.D. Byrider" name and trademark in connection with Franchisee's Business; however, by or before the Transition Deadline, Franchisee must convert, at Franchisee's expense, all uses (including all signage, marketing materials and websites) of the trademark "J.D. Byrider" (including all relevant design marks) to "Byrider" (and relevant design marks) in accordance with the Company's uniform standards of operation under the Franchise Agreement. Failure to complete such transition by the Transition Deadline will constitute a breach of the Franchise Agreement.

9. **Termination of Existing Franchise Agreement**. Upon execution of this Addendum and the Renewal Franchise Agreement, the Existing Franchise Agreement shall terminate and be of no further force or effect.

10. **Release**. Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the "**Releasing Parties**"), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the "**Company Parties**"), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, "**Claims**"), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Existing Franchise Agreement or any other agreement between Franchisee or any of the other

Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE'S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

11. **Other Terms.** All other terms of the Renewal Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of this Addendum.

BYRIDER FRANCHISING, LLC

[FRANCHISEE]

By _____
Craig S. Peters, President

By _____
[Name], [Title]

Date: _____

Date: _____

EXHIBIT J
TO
FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR MULTI-LOCATION FLAT RATE OPTION**

This Addendum to Franchise Agreement for Multi-Location Flat Rate Option (“Addendum”) modifies the Franchise Agreement dated _____, identified as # _____ (“Franchise Agreement”) entered into between Byrider Franchising, LLC (“Company”) and _____ and _____ (collectively “Franchisee”).

WHEREAS, in addition to the Franchise Agreement, Franchisee, or its affiliate, has signed a franchise agreement with Company prior to January 1, 2021 for the operation of at least one (1) business in the System and under the Marks in addition to the Franchisee’s Business;

WHEREAS, Franchisee qualifies for, or has previously qualified for and elected to pay, the Multi-Location Flat Rate (“MLFR”);

WHEREAS, the Company will allow Franchisee to pay the MLFR instead of the Royalty Fee provided in Section 3.10 of the Franchise Agreement in accordance with the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and Franchisee hereby agree as follows:

1. Royalty Fee. Section 3.10 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

3.10 **Royalty Fee**. The Royalty Fee commencement date is the earlier of the date the Franchisee’s Business is open to the public or the one-year anniversary of the date of this Agreement. The term “Royalty Fee” shall mean the amount calculated monthly as follows:

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

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

2. Royalty Fee Increase. The Company and Franchisee acknowledge and agree that the Company reserves the right to increase the Royalty Fees set forth in Section 3.10 of the Franchise Agreement, as amended by this Addendum, by the National Consumer Price Index for All Urban Consumers (CPI-U) – All Items (1982-1984 = 100) for the most recent 12-month period from October through September as published by the U.S. Department of Labor, or a successor index. Any increase will be uniformly applied to all franchisees under the same form of franchise agreement. The Company will notify Franchisee in writing on or before December 1st of each calendar year as to any changes in the amounts for the following calendar year.

3. Category Designation. For purposes of Section 3.10 of the Franchise Agreement, as revised by this Amendment, Franchisee will receive the Category Designation provided on Exhibit A to this Addendum.

4. Representation of Ownership. Franchisee represents and warrants, on its behalf and on behalf of its affiliates, that that it and they have at least 51% in common equity ownership and voting control among the Byrider Businesses that it and they own (the "Ownership Qualification"). If Franchisee, or its affiliates, no longer meet the Ownership Qualification, then Franchisee will no longer qualify for, and pay, the MLFR and will instead pay the Royalty Fee as originally provided under the Franchise Agreement.

5. Traditional Royalty Fee. If Franchisee signed an Addendum to Franchise Agreement for Traditional Royalty Fee in connection with the Franchise Agreement ("Traditional Royalty Fee Addendum"), the Company acknowledges and agrees that this Addendum shall supersede the Traditional Royalty Fee Addendum, so long as Franchisee (and its affiliates, if applicable): (i) continue to qualify for, and elect to pay, the MLFR; (ii) continue to operate at least two Byrider Businesses; and (iii) remain in compliance with the Franchise Agreement and all other agreements with the Company and its affiliates. If Franchisee (or its affiliates, if applicable) fail to comply with the foregoing conditions, Franchisee will immediately be required to comply with the obligations under the Traditional Royalty Fee Addendum (including the obligation to pay the Royalty Fee due thereunder).

6. Release. Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the “Releasing Parties”), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the “Company Parties”), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, “Claims”), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Franchise Agreement or any other agreement between Franchisee or any of the other Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE’S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE’S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND

THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

All other terms of the Franchise Agreement shall remain in full force and effect.

Byrider Franchising, LLC

By _____
Craig S. Peters, President

By _____
Printed:
Title: President

Date: _____

Date: _____

By _____
Printed:
Title: President

Date: _____

By its signature below, Franchisee hereby acknowledges that it does NOT elect to pay the Multi-Location Flat Rate royalty fee at this time, and thus, this Addendum to Franchise Agreement for Multi-Location Flat Rate Option does not in any way amend the Franchise Agreement. Notwithstanding the foregoing, if Franchisee elects to pay the Multi-Location Flat Rate royalty fee in the future, it must notify Byrider Franchising, LLC in writing and sign its then-current Addendum to Franchise Agreement for Multi-Location Flat Rate Option. Byrider Franchising, LLC reserves all rights.

By _____
Printed:
Title: President

Date: _____

EXHIBIT A
TO
ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR MULTI-LOCATION FLAT RATE OPTION

Franchisee's Category Designation for purposes of the MLFR under the Franchise Agreement shall be:

- Founder Franchisee
- Legacy Founder Franchisee
- Interim Founder Franchisee
- Legacy Interim Founder Franchisee
- Standard Franchisee

EXHIBIT K
TO
FRANCHISE DISCLOSURE DOCUMENT

**ADDENDUM TO FRANCHISE AGREEMENT # _____
FOR TRADITIONAL ROYALTY FEE**

This Addendum to Franchise Agreement for Traditional Royalty Fee (“Addendum”) modifies the Franchise Agreement dated _____, identified as # _____ (“Franchise Agreement”) entered into between Byrider Franchising, LLC (“Company”) and _____ and _____ (collectively “Franchisee”).

WHEREAS, in addition to the Franchise Agreement, Franchisee, or its affiliate, has signed a franchise agreement with Company prior to January 1, 2021 for the operation of at least one (1) business in the System and under the Marks in addition to the Franchisee’s Business.

WHEREAS, the Company will allow Franchisee to pay a modified Royalty Fee instead of the Royalty Fee provided in Section 3.10 of the Franchise Agreement in accordance with the terms and conditions set forth in this Addendum.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Company and Franchisee hereby agree as follows:

1. Royalty Fee. Section 3.10 of the Franchise Agreement is hereby deleted in its entirety and replaced with the following:

3.10 **Royalty Fee**. The Royalty Fee commencement date is the earlier of the date the Franchisee’s Business is open to the public or the one-year anniversary of the date of this Agreement. The term “Royalty Fee” shall mean that amount calculated monthly as follows:

Gross Sales (Byrider Vehicle Sales):

A. For Franchisee’s Byrider retail installment contracts assigned to Franchisee’s affiliated CNAC entity: the greater of \$6,000 or 2.5% of the Franchisee’s Gross Sales (Byrider Vehicle Sales) (as defined above in Section 3.7) with a maximum monthly payment of: \$7,000 for “Founder Franchisees;” \$8,500 for “Legacy Founder Franchisees” and “Interim Founder Franchisees;” or \$10,000 for “Legacy Interim Founder Franchisees” and Standard Franchisees”.

B. For Franchisee’s Byrider retail installment contracts assigned to an approved unaffiliated third-party entity (in accordance with Section 7.17 below): \$295.00 per contract sold or assigned at time of vehicle sale from Franchisee’s dealer entity to an approved unaffiliated third-party entity;

plus,

Gross Receipts (CNAC and Repair Center Collections):

1% of Franchisee’s Gross Receipts (CNAC and Repair Center Collections) (as defined above in Section 3.7).

plus,

Volume Surcharge:

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

2. Monthly Combined Royalty Cap. Notwithstanding the terms and conditions provided in Section 1 of this Addendum, the Royalty Fee that Franchisee will pay will be subject to the following maximum monthly payments (the “Monthly Combined Royalty Cap”):

Category Designation	Monthly Combined Royalty Cap*
Founder Franchisee	\$8,432 per month
Legacy Founder Franchisee	\$10,540 per month
Interim Founder Franchisee	\$10,540 per month
Legacy Interim Founder Franchisee	\$12,648 per month
Standard Franchisee	\$12,648 per month

3. Volume Surcharge and Royalty Cap Increases. The Company and Franchisee acknowledge and agree that the Company reserves the right to increase the Volume Surcharge set forth in Section 3.10 of the Franchise Agreement, as amended by this Addendum, and the Monthly Combined Royalty Cap by the National Consumer Price Index for All Urban Consumers (CPI-U) – All Items (1982-1984 = 100) for the most recent 12-month period from October through September as published by the U.S. Department of Labor, or a successor index. Any increase will be uniformly applied to all franchisees under the same form of franchise agreement. The Company will notify Franchisee in writing on or before December 1st of each calendar year as to any changes in the amounts for the following calendar year

4. Category Designation. For purposes of Section 3.10 of the Franchise Agreement, as revised by this Amendment, Franchisee will receive the Category Designation provided on Exhibit A to this Addendum.

5. Release. Franchisee, on behalf of itself and its respective current and former parents, affiliates, and subsidiaries, and their respective agents, spouses, heirs, principals, attorneys, owners, officers, directors, representatives, predecessors, successors, and assigns (the “Releasing Parties”), do hereby absolutely and irrevocably release and discharge the Company and its parents, subsidiaries, and affiliates, and their respective current and former owners, officers, directors, employees, managers, agents, representatives, predecessors, successors, and assigns (the “Company Parties”), of and from any and all claims, obligations, debts, proceedings, demands, causes of actions, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever (collectively, “Claims”), whether known or unknown, suspected or unsuspected, at law or in equity, which any of them has, had or may have, from the beginning of time to the date hereof, including, without limitation, those arising out of or relating in any way to the Franchise Agreement or any other agreement between Franchisee or any of the other Releasing Parties and the Company or any of the Company Parties. Franchisee, on behalf of itself and on behalf of the other Releasing Parties, further covenant not to sue any of the Company Parties on any of the Claims released by this paragraph, and warrant and represent that they have not assigned or otherwise transferred any Claims released by this paragraph.

IF FRANCHISEE'S BUSINESS IS LOCATED IN CALIFORNIA, OR IF FRANCHISEE IS A RESIDENT OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

SECTION 1542 ACKNOWLEDGMENT. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY FRANCHISEE OR THE RELEASING PARTIES. FRANCHISEE RECOGNIZES THAT IT OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE COMPANY PARTIES OF WHICH FRANCHISEE IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS FRANCHISEE'S INTENTION, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL DEPRIVE FRANCHISEE OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT FRANCHISEE FROM ASSERTING IT AGAINST THE COMPANY PARTIES. IN FURTHERANCE OF THIS INTENTION, FRANCHISEE, ON ITS OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

FRANCHISEE ACKNOWLEDGES AND REPRESENTS THAT IT HAS CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT FRANCHISEE UNDERSTANDS ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENTS THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

[Signature Page Follows]

All other terms of the Franchise Agreement shall remain in full force and effect.

Byrider Franchising, LLC

By _____
Craig S. Peters, President

By _____
Printed:
Title: President

Date: _____

Date: _____

By _____
Printed:
Title: President

Date: _____

EXHIBIT A
TO
ADDENDUM TO FRANCHISE AGREEMENT #_____
FOR TRADITIONAL ROYALTY FEE

Franchisee's Category Designation for purposes of the Royalty Fee under the Franchise Agreement shall be:

- Founder Franchisee
- Legacy Founder Franchisee
- Interim Founder Franchisee
- Legacy Interim Founder Franchisee
- Standard Franchisee

EXHIBIT L
TO
FRANCHISE DISCLOSURE DOCUMENT

VETERAN DISCOUNT ADDENDUM
TO FRANCHISE AGREEMENT

This **VETERAN DISCOUNT ADDENDUM** (this “**Addendum**”) dated as of _____ (the “**Effective Date**”) amends and supplements certain terms and conditions of the Franchise Agreement dated _____ (the “**Franchise Agreement**”) entered into between **BYRIDER FRANCHISING, LLC** (the “**Company**”) and _____ (the “**Franchisee**”). In the event of any conflict between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall control. All capitalized terms not otherwise defined in this Addendum shall have their respective meanings set forth in the Agreement.

WHEREAS, Franchisee (or if a legal entity, Franchisee’s owner(s)) [is/are] a veteran of the United States Armed Forces; and

WHEREAS, the Company has agreed to charge Franchisee a reduced initial franchise fee on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Franchisee hereby agree as follows:

1. **Initial Franchise Fee**. The Company and Franchisee agree and acknowledge that the Initial Franchise Fee provided in Section 3.8 of the Franchise Agreement shall be \$40,000.
2. **Other Terms**. All other terms of the Franchise Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of this Addendum.

BYRIDER FRANCHISING, LLC

[FRANCHISEE]

By _____
Craig S. Peters, President

By _____
[Name], [Title]

Date: _____

Date: _____

EXHIBIT M
TO
FRANCHISE DISCLOSURE DOCUMENT

**ADDITIONAL DISCLOSURE FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
BYRIDER FRANCHISING LLC**

The following are additional disclosures for the Franchise Disclosure Document of Byrider Franchising LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE FRANCHISE DISCLOSURE DOCUMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES BYRIDER FRANCHISING TO GIVE YOU A FRANCHISE DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE BYRIDER FRANCHISING ASKS YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. BYRIDER FRANCHISING'S WEBSITES, www.byrider.com AND www.byriderfranchise.com, HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The following is added at the end of Item 3 of the Disclosure Document:

Neither Byrider Franchising, its parent, or its affiliate nor any person in Item 2 of the Franchise Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following language is added to Item 5 of the Disclosure Document:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

6. The following is added at the "Remarks" column in the "Interest" row of the table provided in Item 6 of the Disclosure Document:

The highest rate of interest allowed by California law is 10% annually.

7. The following language is added to the end of the chart in Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the aforementioned law, and the aforementioned law applies, it will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.) but Byrider Franchising will enforce it to the extent enforceable.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the respective agreement. These provisions may not be enforceable under California law.

The Franchise Agreement requires application of the laws of the State of Indiana with certain exceptions. These provisions may not be enforceable under California law.

The Franchise Agreement requires you to sign a general release of claims on renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

8. The following is added at the end of Item 19 of the Disclosure Document:

You should conduct an independent investigation of the costs and expenses you will incur in operating your Business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

ILLINOIS

1. The following language is added to Item 5:

Byrider Franchising has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Illinois, pursuant to Section 200.505 of the Rules. The Illinois Attorney General's Office imposed the bond requirement due to Company's financial condition.

2. The "Summary" section of Item 17(w) entitled "**Choice of forum**" is deleted in its entirety.

3. The "Summary" section of Item 17(x) entitled "**Choice of law**" is deleted in its entirety and replaced with the following:

Except for the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. 1051 et seq.), the United States Arbitration Act (9 U.S.C. 1 et seq.), or other federal law, Illinois law shall apply to and govern the Franchise Agreement.

4. The following language is added to the end of the chart in Item 17:

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

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

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

MARYLAND

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled "**Requirements for franchisee to renew or extend**", and Item 17(n), entitled "**Conditions for franchisor approval of transfer**:"

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled "**Cause defined – non-curable defaults**:"

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” section of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of Law**:

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

5. The following language is added to Item 5:

Byrider Franchising has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Maryland. The State of Maryland’s Office of the Attorney General imposed the bond requirement due to Company’s financial condition.

MINNESOTA

1. The following is added to the end of the table in Item 17 of the Disclosure Document:

Minnesota law provides you with certain termination and non-renewal rights. Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit Byrider Franchising from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement will in any way abrogate or reduce any of your rights under the Minnesota Franchises Law, including, if applicable, the right to submit matters to the jurisdiction of the courts of Minnesota.

Any release as a condition of renewal and/or transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

2. The following sentence is added to Item 21 of the Disclosure Document:

To secure the compliance by Company with its franchise contract in accordance with Minnesota Statutes, Section 80C.05 and Minnesota Rules, Part 2860.1900, Byrider Franchising has posted a Minnesota Surety Bond; the amount is the initial franchise fee times the number of franchises projected to be opened in Minnesota (Item 20 in Franchise Disclosure Document).

NEW YORK

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

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

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

Except as provided above, with regard to Byrider Franchising, its predecessor, a person identified in Item 2, or an affiliate offering franchises under Byrider Franchising's *principal trademark*:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion,

misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices; or comparable allegations.

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

3. The following is added to the end of Item 4:

Neither Byrider Franchising, its affiliate, predecessor, officers or general partners, or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document, have, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; or (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to Item 5:

Byrider Franchising applies the initial franchise fee to defray its costs for site review and approval, sales, legal compliance, salary, and general administrative expenses and profits.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for you to renew or extend**" and Item 17(m), entitled "**Conditions for Byrider Franchising's approval of transfer**":

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

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), entitled "**Assignment of contract by Byrider Franchising**:"

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in Byrider Franchising's good faith judgment, is willing and able to assume Byrider Franchising's obligations under the Franchise Agreement.

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

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

NORTH DAKOTA

1. The following is added to the end of the "Summary" sections of Item 17(c), entitled "**Requirements for you to renew or extend**" and Item 17(n), entitled "**Conditions for Byrider Franchising's approval of transfer**":

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The following is added to the end of the “Summary” section of Item 17(s), entitled “**Non-competition covenants after the franchise is terminated or expires**”:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota; however, Byrider Franchising and you will enforce the covenants to the maximum extent the law allows.

3. The “Summary” section of Item 17(v), entitled “**Dispute resolution by arbitration**” is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which Byrider Franchising and you mutually agree.

4. The “Summary” section of Item 17(w), entitled “**Choice of forum**” is deleted and replaced with the following:

However, subject to your arbitration obligation, and to the extent required by North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The “Summary” section of Item 17(x), entitled “**Choice of law**” is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Indiana will apply.

RHODE ISLAND

1. The following sentence is added to the “Summary” of Item 17(w) entitled “**Choice of forum**” and 17(x) entitled “**Choice of law**”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act. To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.”

SOUTH DAKOTA

1. The following sentence is added to Item 5:

Byrider Franchising has a surety bond in place of escrow or deferral of its initial franchise fees.

VIRGINIA

1. The following language is added to the end of the “Summary” section of Item 17(e), entitled “**Termination by Byrider Franchising without cause**”:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) the offer of the franchise is made or accepted in the State of Illinois and Franchisee’s Business is or will be located in the State of Illinois; and/or (b) Franchisee is domiciled in Illinois.

2. **INITIAL FRANCHISE FEE.** The following language is added to Section 9.1 (“Initial Franchise Fee”) of the Franchise Agreement:

The Company has posted a Surety Bond equal to the sum of initial fees times the number of franchises to be sold in Illinois, pursuant to Section 200.505 of the Rules. The Illinois Attorney General’s Office imposed the bond requirement due to Company’s financial condition.

3. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** The following language is added to the end of Section 20.7 (“Jury Trial Waiver”) and Section 20.8 (“Punitive Damage Waiver”) of the Franchise Agreement:

However, this Section shall not act as a condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/41 or Illinois regulations at Section 200.609.

4. **LIMITATIONS OF ACTIONS.** Section 20.9 (“Limitations of Actions”) of the Franchise Agreement is amended by adding the following:

However, nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act at Section 705/27 or any other law of the State of Illinois, to the extent applicable.

5. **ILLINOIS FRANCHISE DISCLOSURE ACT**. The following is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

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

Franchisee's rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) the Franchisee is a resident of the State of Maryland; or (b) Franchisee’s Business is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.**
The following is added as a new Section 2.12 of the Franchise Agreement:

2.12 **MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.** All representations requiring the Franchisee to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. **RELEASES.** The following is added to the end of Sections 5.2(F), 6.1(E), and 14.3(C)(6) of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following sentence is added to the end of Section 16.2(A)(4) of the Franchise Agreement:

This Section 16.2(A)(4) may not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following paragraph is added to the end of Section 19.1 of the Franchise Agreement:

A Maryland franchise regulation states that it is an unfair or deceptive practice to require the Franchisee to waive its right to file a lawsuit in Maryland claiming a

violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **GOVERNING LAW**. The following paragraph is added to the end of Section 20.5 of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) Maryland law will apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **CHOICE OF FORUM**. The following language is added to the end of Section 20.6 of the Franchise Agreement:

The Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

8. **LIMITATION OF ACTIONS**. The following sentence is added to the end of Section 20.9 of the Franchise Agreement:

Franchise must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after Company grants the Franchisee the franchise.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By:_____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) Franchisee’s Business will be operated wholly or partly in the State of Minnesota; and/or (b) the Franchisee is either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **RELEASES.** The following provision is added to the end of Section 5.2(F) and Section 14.3(B)(6) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchise Law.

3. **TRADEMARK: USE:** The following is added to the end of Section 8.2 of the Franchise Agreement:

The Company will protect the Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g)

4. **NON-RENEWAL AND TERMINATION.** The following is added to the end of Sections 5.2, 16.1 and 16.2 of the Franchise Agreement:

To the extent Minnesota law is applicable, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that the Franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

5. **GOVERNING LAW.** The following is added to the end of Section 20.5 of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of the Franchisee's rights under Minnesota Statutes Chapter 80C or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **JURY TRIAL AND PUNITIVE DAMAGE WAIVERS.** The provisions of Sections 20.7 and 20.8 of the Franchise Agreement are hereby deleted in their entirety.

7. **LIMITATION OF ACTIONS.** Section 20.9 of the Franchise Agreement is hereby amended by adding the following to the end of the Section:

Notwithstanding the foregoing, Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **CONSENT TO JURISDICTION.** Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit the Company, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement shall abrogate or reduce any of the Franchisee's rights under Minnesota Statutes chapter 80C or the Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND**. The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if Franchisee is domiciled in the State of New York; or (d) Franchisee’s Business is or will be operated in the State of New York.

2. **RELEASES**. The following provision is added to the end of Section 5.2.F., Section 6.1.E. and Section 14.3.C.(6) of the Franchise Agreement:

Notwithstanding the foregoing, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.5, as amended.

3. **ASSIGNMENT BY THE COMPANY**. The following language is added to the end of Section 14.1 (“Assignment by the Company”) of the Franchise Agreement:

However, to the extent required by applicable law, no transfer will be made except to an assignee who, in the Company’s good faith judgment, is willing and able to assume the Company’s obligations under this Agreement.

4. **TERMINATION OF AGREEMENT BY FRANCHISEE**. The following language is added to the end of Section 16.3.A. (“Franchisee’s Rights to Terminate; Grounds”) of the Franchise Agreement:

Franchisee may also terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW; CHOICE OF FORUM.** The following statement is added to the end of Sections 20.5 (“Governing Law”) and Section 20.6 (“Choice of Forum”) of the Franchise Agreement:

This section shall not be considered a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the New York State General Business Law, as amended, and the regulations issued thereunder.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and _____
a(n) _____ whose principal business address is _____
_____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “Franchise Agreement”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of North Dakota; or (b) an offer to buy is accepted in the State of North Dakota; or (c) if the Franchisee are domiciled in the State of North Dakota, Franchisee’s Business is or will be operated in the State of North Dakota.

2. **RELEASES.** The following provision is added to the end of Section 5.2.F., Section 6.1.E. and Section 14.3.C.(6) of the Franchise Agreement:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **RESTRICTIVE COVENANTS.** Covenants restricting competition are subject to Section 9-08-06, N.D.C.C., which limits the Company’s ability to restrict Franchisee’s activity after the Franchise Agreement has ended. In North Dakota, covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable except in certain instances as provided by law; however, the Company and the Franchisee will enforce the covenants to the maximum extent the law allows.

4. **ARBITRATION.** The following provision is added to the end of Section 19.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which the Company and the Franchisee mutually agree.

5. **GOVERNING LAW.** The following paragraph is added to the end Section 20.5 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without

reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on the Franchisee and its owners' competitive activities will be governed by the laws of the state in which Franchisee's Business is located.

6. **CHOICE OF FORUM.** The following provision is added to the end of Section 20.6 ("Choice of Forum") of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by North Dakota Franchise Investment Law, and subject to the parties' arbitration obligations, the Franchisee may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **LIQUIDATED DAMAGES AND TERMINATION PENALTIES.** In North Dakota, any provision in the Franchise Agreement that requires Franchisees to consent to liquidated damages or termination penalties is void.

8. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** Section 20.7 and Section 20.8 of the Franchise Agreement are deleted in their entirety.

9. **LIMITATION OF CLAIMS.** In North Dakota, the statute of limitations under North Dakota law applies.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND**. The Company and Franchisee are parties to that certain Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”). This Rider is annexed to and forms an integral part of the Franchise Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made or accepted in the State of Rhode Island; or (b) an offer to buy is accepted in the State of Rhode Island; or (c) Franchisee is a resident of the State of Rhode Island and Franchisee’s Business is or will be operated in the State of Rhode Island.

2. **GOVERNING LAW**. The following paragraph is added to the end of Section 20.5 (“Governing Law”) of the Franchise Agreement:

Notwithstanding the foregoing, (1) any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, (2) the enforceability of those provisions of this Agreement which relate to restrictions on Franchisee and its owners’ competitive activities will be governed by the laws of the state in which the Franchisee’s Business is located; and (3) to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

3. **CHOICE OF FORUM**. The following language is added to the end of Section 20.6 (“Choice of Forum”) of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Franchisee may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the "**Company**"), and _____
a(n) _____ whose principal business address is _____
_____ (the "**Franchisee**").

1. **BACKGROUND.** The Company and the Franchisee are parties to that certain Area Development Agreement dated _____, 20__ (the "**Development Agreement**"). This Rider is annexed to and forms an integral part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) Franchisee's Business that Franchisee will develop under the Development Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) the Franchisee is either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **TERMINATION.** The following is added to the end of Section 5 of the Development Agreement:

To the extent Minnesota law is applicable, the Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that the Franchisee be given 90 days' notice of termination (with 60 days to cure).

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN NEW YORK**

THIS RIDER (this “**Rider**”) is made and entered into by and between **BYRIDER FRANCHISING, LLC**, an Indiana limited liability company whose address is 12802 Hamilton Crossing Boulevard, Carmel, Indiana, 46032 (the “**Company**”), and a(n) _____ whose principal business address is _____ (the “**Franchisee**”).

1. **BACKGROUND.** The Company and Franchisee are parties to that certain Area Development Agreement dated _____, 20__ (the “**Development Agreement**”). This Rider is annexed to and forms an integral part of the Development Agreement. This Rider supersedes any inconsistent or conflicting provisions of the Development Agreement. Terms not otherwise defined in this Rider have the meanings as defined in the Development Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if Franchisee is domiciled in the State of New York; or (d) Franchisee’s Business that Franchisee will develop under the Development Agreement will be operated in the State of New York.

2. **TERMINATION OF AGREEMENT BY FRANCHISEE.** The following language is added to the end of Section 5 of the Development Agreement:

Franchisee may also terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Development Agreement.

"FRANCHISEE"

"COMPANY"

«Name_of_Franchisee», «Entity_Type»

BYRIDER FRANCHISING, LLC

«Signatory»«Signatory_Title»

By: _____
Craig S. Peters, President

NEW YORK REPRESENTATIONS PAGE

FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT

State Effective Dates

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

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

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Wisconsin	

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

EXHIBIT N
TO
FRANCHISE DISCLOSURE DOCUMENT

ITEM 23
RECEIPTS

This Disclosure Document summarizes certain provisions of the Franchise Agreement, the Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Byrider Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Byrider Franchising, LLC, or any affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Byrider Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G. We authorize the respective state agents identified on Exhibit G to receive service of process for us in the particular states.

The name, principal business address, and telephone number of the franchise seller offering the franchise is as follows: Jack J. Humbert, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (317) 249-3355.

The issuance date of this Franchise Disclosure Document is April 27, 2021, as amended December 3, 2021. (The effective dates in the franchise registration states are noted on the page immediately preceding the Item 23 receipts pages in this Disclosure Document.)

I received a Disclosure Document from Byrider Franchising, LLC dated as of April 27, 2021, as amended December 3, 2021, that included the following Exhibits:

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

Date

Prospective Franchisee [Print Name]

Prospective Franchisee [Signature]

Please sign this copy of the receipt, print the date on which you received this Franchise Disclosure Document, and return it, by mail to Byrider Franchising, LLC, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032.

ITEM 23
RECEIPTS

This Disclosure Document summarizes certain provisions of the Franchise Agreement, the Area Development Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Byrider Franchising, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Byrider Franchising, LLC, or any affiliate in connection with the proposed franchise sale. Under Iowa law, we must give you this Disclosure Document at the earlier of our 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this Disclosure Document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Byrider Franchising, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit G. We authorize the respective state agents identified on Exhibit G to receive service of process for us in the particular states.

The name, principal business address, and telephone number of the franchise seller offering the franchise is as follows: Jack J. Humbert, 12802 Hamilton Crossing Blvd., Carmel, Indiana 46032 (317) 249-3355.

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Exhibit K	Traditional Royalty Fee Addendum
Exhibit L	Veteran Discount Addendum
Exhibit M	State Addenda and Agreement Riders
Exhibit N	Receipts

Date

Prospective Franchisee [Print Name]

Prospective Franchisee [Signature]

PLEASE SIGN THIS COPY OF THE RECEIPT, PRINT THE DATE ON WHICH YOU RECEIVED THIS FRANCHISE DISCLOSURE DOCUMENT AND KEEP IT FOR YOUR RECORDS.

12/3/2021